

Huabao International Holdings Limited
華寶國際控股有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 00336

2011-2012 Interim Report 中期報告

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. CHU Lam Yiu (*Chairman*)
Mr. LAU Chi Tak (*CEO*)
Mr. POON Chiu Kwok
Mr. WANG Guang Yu
Mr. XIA Li Qun (*CFO*)
Mr. XIONG Qing

Independent Non-executive Directors

Mr. LEE Luk Shiu
Ms. MA Yun Yan
Dr. JIN Lizuo

AUDIT COMMITTEE

Mr. LEE Luk Shiu (*Chairman*)
Ms. MA Yun Yan
Dr. JIN Lizuo

REMUNERATION COMMITTEE

Mr. LEE Luk Shiu (*Chairman*)
Ms. MA Yun Yan
Mr. XIA Li Qun

QUALIFIED ACCOUNTANT

Ms. CHOY Man Har *FCPA, FCCA*

COMPANY SECRETARY

Mr. POON Chiu Kwok *ACIS, ACS*

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISOR

Herbert Smith

公司資料

董事會

執行董事

朱林瑤女士 (*主席*)
劉志德先生 (*總裁*)
潘昭國先生
王光雨先生
夏利群先生 (*財務總監*)
熊卿先生

獨立非執行董事

李祿兆先生
麻雲燕女士
金立佐博士

審核委員會

李祿兆先生 (*主席*)
麻雲燕女士
金立佐博士

薪酬委員會

李祿兆先生 (*主席*)
麻雲燕女士
夏利群先生

合資格會計師

蔡文霞女士 *FCPA, FCCA*

公司秘書

潘昭國先生 *ACIS, ACS*

核數師

羅兵咸永道會計師事務所

法律顧問

史密夫律師事務所

Corporate Information (cont'd)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3008, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudian Road
Pembroke HM8
Bermuda

BRANCH SHARE REGISTRAR

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 00336

COMPANY WEBSITE

www.huabao.com.hk

INVESTOR RELATIONS WEBSITE

<http://huabao.todayir.com/html/ir.php>

公司資料 (續)

總部及香港主要營業地

香港
灣仔
港灣道18號
中環廣場
3008室

註冊辦事處

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

主要股份過戶登記處

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudian Road
Pembroke HM8
Bermuda

股份過戶登記分處

卓佳登捷時有限公司
香港
灣仔
皇后大道東28號
金鐘匯中心26樓

股票代號

香港聯合交易所有限公司：00336

公司網址

www.huabao.com.hk

投資者關係網站

<http://huabao.todayir.com/html/ir.php>

Financial Highlights

財務摘要

		Unaudited 未經審核		
		For the six months ended 30 September 截至九月三十日止六個月		
		2011 二零一一年 HKD'000 港幣千元	2010 二零一零年 HKD'000 港幣千元	Growth 增長
Sales	營業額	1,525,451	1,286,614	+18.6%
Operating profit	營運盈利	928,837	869,834	+6.8%
Gross profit margin	毛利率	70.6%	75.5%	
EBITDA margin ⁺	EBITDA率 ⁺	64.4%	70.3%	
EBIT margin	EBIT率	60.9%	67.6%	
Profit attributable to the equity holders of the Company	本公司權益持有人應佔盈利	814,920	752,266	+8.3%
Net cash generated from operating activities	營運活動產生之淨現金	669,739	561,884	+19.2%
		HK cents 港仙	HK cents 港仙	
Earnings per share	每股盈利			
– Basic	– 基本	25.85	23.94	+8.0%
– Diluted	– 攤薄	25.71	23.75	+8.3%
Interim dividend per share	每股中期股息	7.80	7.20	
Special dividend per share	每股特別股息	5.18	nil 無	
Total dividend payout ratio	合共派息率	50%	30%	
		Unaudited 未經審核 As at 30 September 2011 於二零一一年 九月三十日 HKD'000 港幣千元	Audited 經審核 As at 31 March 2011 於二零一一年 三月三十一日 HKD'000 港幣千元	
Cash and cash equivalents	現金及現金等價物	2,257,649	1,676,410	+34.7%

* Equal to "Earnings before interest, taxes, depreciation, amortization and share compensation expenses" divided by "Sales".

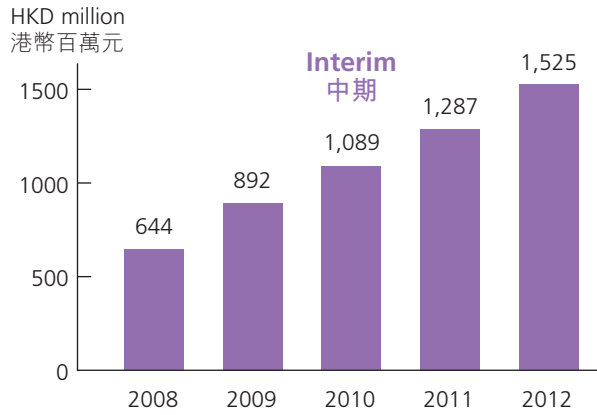
* 等於「除稅前盈利加利息、折舊、攤銷及購股權報酬費用」除以「營業額」。

Financial Highlights (cont'd)

財務摘要 (續)

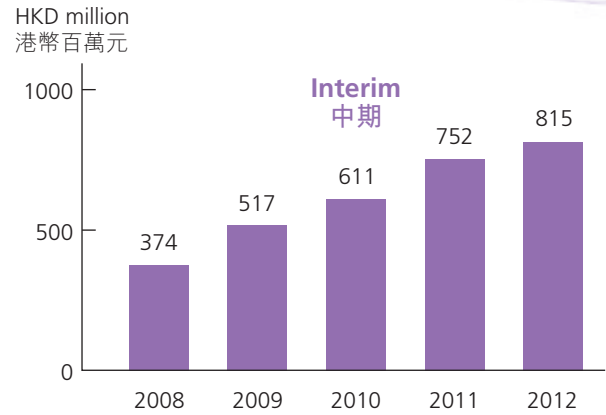
Sales

營業額



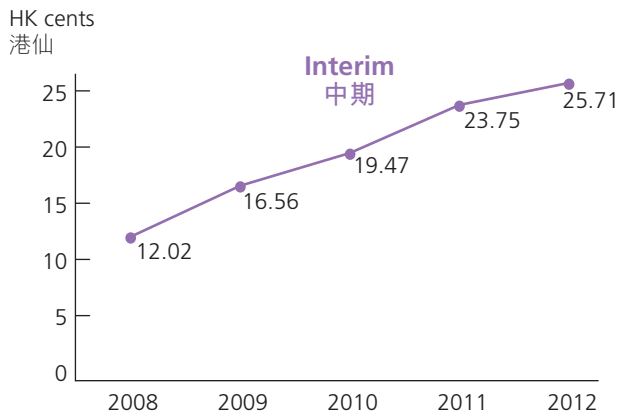
Profit attributable to equity holders of the Company

本公司權益持有人應佔盈利



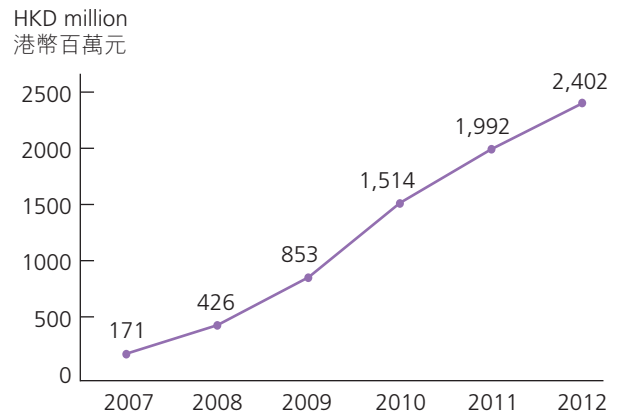
Diluted EPS

每股攤薄盈利



Accumulated amount of dividend declared

累計已宣派的股息金額



CEO's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the interim results of the Group for the six months ended 30 September 2011.

During the first half of 2011, the global economic conditions were unfavorable, with major developed economies facing difficulties and challenges of varying degree. The U.S. economy may fall back to recession, while certain Eurozone countries fell into worsening crisis of sovereign debts, and Japan was hit by severe disasters of the century which caused damage to its economy. Despite facing negative factors such as high inflation pressure and slowing growth in the property market, the PRC economy maintained a high growth rate of over 9% for the first two quarters, making it one of the outperformed markets against other major global economies. While China's domestic demands remained robust as supported by overall rapid growth momentum in the consumer market, the consumer sector entered a structural adjustment and consolidation stage. Especially, the PRC tobacco industry has entered into a phase of adjustment following several years of rapid consolidation. The food and beverage industry is experiencing significant adjustment and consolidation towards its structure and safety standards. All these significant adjustments would have profound impact on the future industry landscape whilst creating new challenges and opportunities to relevant players. As one of the leaders in China flavours and fragrances industry as well as a major player in the domestic consumer products market, the Group will continue in adhering to its "multi-pronged, focus growth" development strategy, overcome difficulties and challenges by leveraging on its overall competitive edge through management, technology, product and service, explore development in new businesses and strive for realizing business growth.

Maintained the growth momentum and kept a sound financial position

For the six months ended 30 September 2011, sales revenue of the Group reached approximately HKD1.53 billion, representing an increase of approximately 18.6% over the corresponding period last year. The overall gross profit margin reached approximately 70.6%. Operating profit was approximately HKD929 million, representing an increase of about 6.8% over the corresponding period last year. EBIT margin reached approximately 60.9%. Profit attributable to equity holders of the Company was approximately HKD815 million, representing an increase of about 8.3% over the corresponding period last year, and diluted EPS was HK25.71 cents, representing an increase of about 8.3% over the corresponding period last year. Net cash generated from operating activities was about HKD670 million, representing an increase of approximately 19.2% over the corresponding period last year. As at 30 September 2011, the Group's cash and cash equivalents amounted to approximately HKD2.26 billion, and net cash amounted to approximately HKD1.51 billion. After taking into account the Group's plan for the next stage of development and in light of its sound financial position and ample cash flows, the Board has resolved to declare an interim dividend for the year of HK7.80 cents per Share, and a special dividend of HK5.18 cents per Share, representing a combined dividend payout ratio of about 50%.

總裁報告

各位股東：

在此，本人謹代表董事會欣然向各股東報告本集團截至二零一一年九月三十日止六個月的中期業績。

二零一一年上半年，全球經濟形勢不容樂觀，全球主要發達國家經濟均遇到了不同程度的困難和挑戰，美國經濟可能再次衰退，歐元區部份國家的債務危機逐步惡化，日本遭受百年不遇的大災難並使其經濟受創。中國經濟雖然在經歷巨大的通脹壓力及房地產行業增長放緩等不利因素之下，首兩季度均仍實現了超過9%的高速增長，成為全球主要經濟區中相對表現較好的市場之一。中國內需強勁，消費品市場整體上保持了快速增長勢頭，但消費品行業亦進入了結構性調整和整合期。特別是中國煙草行業在經歷了前幾年快速整合後進入了調整時期，而食品和飲料領域正在經歷對行業結構、安全標準的重大調整和整頓時期，這些大的調整將對未來行業格局產生深遠影響並對相關企業構成了新的挑戰和機遇。作為中國香精香料行業的領頭羊以及中國內需消費品市場的重要成員之一，本集團繼續堅持同心多元化的發展策略，充分發揮在管理、技術、產品和服務上的綜合競爭優勢，克服重重困難和挑戰，推進新業務的發展，努力實現了業務增長。

保持增長勢頭，企業財務狀況穩健

截至二零一一年九月三十日止六個月，本集團實現銷售收入約港幣15.3億元，同比增長約18.6%。綜合毛利率約70.6%。營運盈利約港幣9.29億元，同比增長約6.8%。EBIT率約60.9%。本公司權益持有人應佔盈利約港幣8.15億元，同比增長約8.3%，每股攤薄盈利為港幣25.71仙，同比增長約8.3%。營運活動產生之淨現金達到約港幣6.70億元，同比增長約19.2%。於二零一一年九月三十日，本集團現金及現金等價物達約港幣22.6億元，淨現金餘額達約港幣15.1億元。考慮到本集團下一步的發展部署，結合穩健的財務狀況以及充裕的現金流，董事會決定本年度中期股息為每股7.80港仙，加派特別股息為每股5.18港仙，合共派息率約50%。

CEO's Statement (cont'd)

Progress was made in areas such as new materials for cigarette principally represented by the RTL, and natural aromatic raw materials, which are expected to gradually become the Group's new growth engines

Since the first half of 2011, further progress was made in the areas of new materials for cigarette and upstream natural aromatic raw materials. In November 2010, the Group announced the acquisition of Guangdong Jinye Group to establish a strategic development platform for the new materials for cigarette, and to substantially progress the RTL business. Following the completion of the acquisition early this year, the Group moved to upgrade the workmanship of the production lines and improve the products of Guangdong Jinke, with remarkable satisfactory results. For the six months ended 30 September 2011, the Group's sales revenue of the RTL segment reached approximately HKD111 million, indicating a sound and stable growth momentum. In respect of natural aromatic raw materials, the Group completed the acquisition of Yunnan Huaxiangyuan in September last year and injected capital into Yongzhou Shanxiang in Hunan Province in April this year, making further progress in implementing the overall strategy of constructing an integrated core value chain. Following these acquisitions, the Group was in full swing with the integration, the next stage being to upgrade the quality of its product and technology by using new technology and making further investment. In the future, it is expected that the overall competitiveness of Yunnan Huaxiangyuan and Yongzhou Shanxiang will be improved, thus laying a solid foundation for the Group's next stage of development.

Flavours segment entering the stage of business optimization and adjustment

With the adverse impacts from the structural adjustment in the tobacco industry and the safety issues regarding the food and beverage industry in the PRC, the Group's flavours segment has entered into an adjustment stage. For the six months ended 30 September 2011, sales revenue of the Group from flavours business increased by approximately 6.4% to approximately HKD1.33 billion, showing lower pace of growth. As the management has prepared themselves to equip with enough countermeasures, the Group had managed to adequately cope with these negative factors in the industry, thus ensuring its smooth operation. During the reporting period, the Group kept tight quality controls over raw materials procurement, products manufacturing and product tests to ensure that product quality remains stable. Meanwhile, the management is fine-tuning and optimizing the business units of this segment to systematically adjust the business process, organizational structure, deployment of human resources and the corresponding KPIs. With these, the Group can seize the development opportunities arising from the tobacco industry and the food and beverage industry of China in future. The management believes that, through this re-organization and adjustment process, the Group's competitiveness can be further enhanced.

總裁報告 (續)

以煙草薄片為主的卷煙新材料及天然香原料等領域獲得新的發展，未來將逐步成為集團新的增長動力

今年上半年以來，本集團在卷煙新材料及上游天然香原料領域獲得新的發展。二零一零年十一月，本集團宣佈了對廣東金葉集團的收購，建立了下一步發展卷煙新材料的戰略平台，實質性地推進了煙草薄片業務的發展。自年初收購完成之後，本集團通過對廣東金科生產線的工藝改造和產品優化，取得了明顯的效果。截至二零一一年九月三十日止六個月，集團煙草薄片板塊的銷售收入達到約港幣1.11億元，發展勢頭穩健良好。在天然香原料方面，本集團去年九月收購了雲南華香源及今年四月在湖南省增資永州山香，繼續推進集團打造核心一體化產業鏈的整體戰略。收購之後，集團正在推進全方面的整合，下一步將引入新的技術、投入資金提升產品檔次和技術水平。未來雲南華香源以及永州山香的綜合競爭力將得到全面提升，並為集團下一步的發展提供堅實的基礎。

食用香精香料板塊進入業務優化和調整期

受中國煙草行業結構調整以及中國食品飲料行業安全性問題的不利影響，本集團食用香精香料板塊進入調整期。截至二零一一年九月三十日止六個月，本集團實現食用香精香料銷售收入約港幣13.3億元，同比增長約6.4%，增速有所放緩。由於管理層對這些行業不利因素早有準備，並作了充分的應對措施，使得集團能夠有序應對，確保業務運營平穩。於報告期內，本集團通過對原材料採購、產品製造及出廠檢測等各個環節嚴把質量關，產品質量保持穩定。同時，管理層正在對該板塊的業務單元進行全方位的梳理和優化，對業務流程、組織結構、人員配置以及相應的KPI指標進行系統性調整，旨在全面把握下一步中國煙草行業以及中國食品飲料行業的發展契機，管理層相信通過本次重組和調整，集團的競爭優勢得到進一步的提升。

CEO's Statement (cont'd)

Increasing investments in research and development with encouraging results

For the six months ended 30 September 2011, R&D expenses of the Group amounted to HKD81.76 million, representing approximately 5.4% of sales revenue. The ratio was higher than that of 3.3% for the corresponding period last year. The Group successively expands its investment in the RTL and other new materials for cigarettes and establishes a R&D team of international level. Also, it forges strategic alliances with major customers by establishing joint laboratories, which serves as a major support for the Group's future growth. As for the primary researches, the Group has applied for and obtained a number of patents, which has enhanced our research and development capabilities, thereby paving a solid ground for the Group's long term development.

Operating conditions and prospects

While the PRC economy maintained a relatively rapid growth amid the dismal global economic conditions, there are signs of slow-down in the future. The adverse factors of structural adjustment of the PRC tobacco industry and the safety issues regarding the domestic food and beverage industry have continued to have deteriorated impacts on the Group. Nevertheless, the management is still optimistic about China's huge consumer market and the potential of domestic demand. In addition, the Group carried out internal optimization and integration in order to better position itself to take advantage of any opportunities in the future. The Group strongly believes that, by adhering to its development strategies of "multi-pronged, focus growth", to keep its flavours and fragrances business as the core and proactively expanding into the new business of new materials for cigarettes, food ingredients and aromatic raw materials and form an integrated core value chain, as well as to take advantage of its overall competitive edge in management, technology, product and service, the Group will overcome difficulties and challenges and get through such hard times. By doing so, the Group will see opportunities in crisis, and will stay vigilant in any chance of expansion brought by the next round of consolidation in the industry, thus creating higher value and returns for our Shareholders!

LAU Chi Tak
CEO

Hong Kong, 22 November 2011

總裁報告 (續)

加大研發投入，研發成果喜人

截至二零一一年九月三十日止六個月，研發費用約港幣8,176萬元，佔銷售收入的比例約為5.4%，比去年比例約3.3%有所上升。本集團不斷加大在煙草薄片以及其它卷煙新材料的投入，組建了一支具有國際水平的研發團隊，並通過與重點客戶成立聯合重點實驗室以建立戰略合作伙伴關係，為集團未來重要增長引擎提供全力支持。在基礎研發方面，集團申報和獲得多項專利，研發水平和實力進一步上台階，為集團的長期發展奠定了堅實基礎。

經營環境及展望

當前全球經濟形勢不容樂觀，中國經濟雖然保持了相對高速的增長，但未來亦有放緩的趨勢。中國煙草行業的結構性調整以及中國食品飲料行業安全性問題等不利因素將繼續對集團產生一定的影響。縱使如此，管理層仍然長期看好中國龐大的消費者市場及內需潛力。同時，集團亦針對內部進行優化及調整以應對未來各方面的發展機遇。管理層深信，只要堅持同心多元化的發展策略，以香精香料業務為核心，積極發展卷煙新材料、食品配料以及香原料等新領域，打造一體化的核心產業鏈；充分發揮在管理、技術、產品和服務上的綜合競爭優勢；定能克服重重困難和挑戰，力求平穩過渡，化危為機，在新一輪行業整合中，把握更大的發展機會，為股東創造更大的價值和回報！

劉志德
總裁

香港，二零一一年十一月二十二日

Management Discussion and Analysis

管理層討論及分析

BUSINESS REVIEW

業務回顧

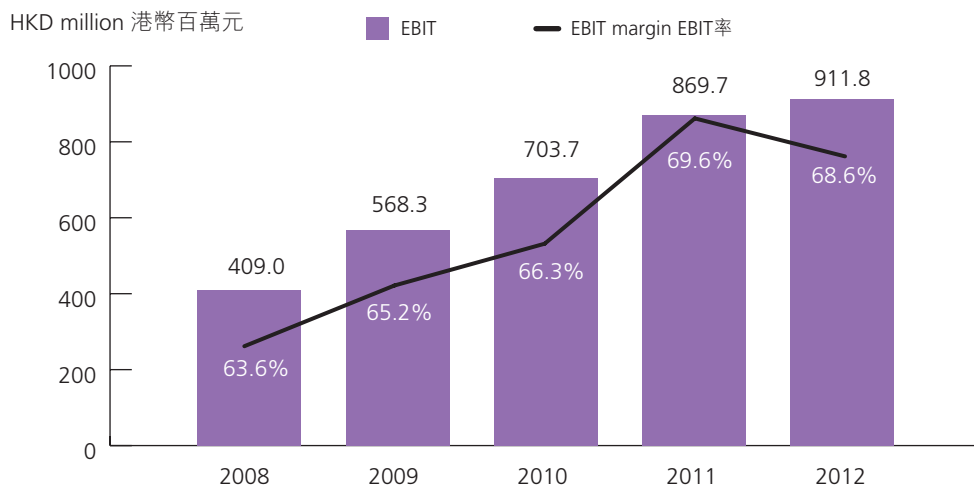
Review of Flavours Business

食用香精香料業務回顧

For the six months ended 30 September 2011, the sales revenue of the flavours business of the Group amounted to HKD1,329,273,000, representing an increase of 6.4% as compared to HKD1,249,108,000 for the corresponding period last year. The EBIT margin of flavours segment was approximately 68.6%, representing a decrease of approximately 1.0 percentage point as compared to approximately 69.6% for the corresponding period last year. The growth rate of the flavours business was lower than that of the same period of last year, which was mainly attributable to certain unfavourable factors of the industry, including the slow-down of consolidation of the tobacco industry and the safety problems found in the PRC food and beverage industry and food additives industry as disclosed in the 2010/2011 annual results published in June this year, as well as the result of adjustment and optimization efforts made to our business. Being well prepared for such unfavourable factors of the industry, the management has taken adequate counter-measures which enabled the Group to cope with the crisis effectively and turn it into opportunities. During the reporting period, the Group kept tight quality controls over raw material procurement, product manufacturing and product tests, so that product quality remains stable.

截至二零一一年九月三十日止六個月，本集團食用香精香料銷售收入為港幣1,329,273,000元，較去年同期的港幣1,249,108,000元增長了約6.4%。食用香精香料的板塊EBIT率約68.6%，較去年同期的約69.6%下降了約1.0個百分點。相比去年同期，食用香精香料的增長速度有所放緩，這主要是由於一些不利的行業因素造成，包括煙草行業整合的放緩以及中國食品飲料行業以及食品添加劑行業的安全問題（正如在今年六月公告的二零一零至二零一一年年度業績中所披露），以及本集團內部對業務進行優化及調整所造成。由於管理層對這些行業不利因素早有準備，並作了充分的積極應對措施，使得本集團能夠有序應對，化危為機。於報告期內，本集團通過對原材料採購、產品製造及出廠檢測等各個環節嚴把質量關，產品質量保持穩定。

Flavours EBIT margin and EBIT
食用香精香料板塊EBIT率和EBIT



Management Discussion and Analysis (cont'd)

In respect of tobacco business, according to TobaccoChina Online, China's tobacco industry sustained a stable growth in production volume for the first half of the year with an increase of 3.9%. In the first half of the year, the Group's tobacco business maintained smooth operation and stable growth. China's tobacco industry has entered into a phase of adjustment following a period of rapid consolidation, whilst certain major clients also experienced slower business growth. Thanks to the development strategy of "Big Customers, Big Brands" to which we adhered over the years, we were able to maintain a dominant market share in the sector of tobacco flavours among the premium brands of cigarettes made in China and the key domestic tobacco groups. Taking advantage of the structural adjustment across the tobacco industry, the Group undertook a system-wise revision to its business process, organizational structure, personnel configuration and the corresponding KPIs. Looking forward, it is expected that the consolidation of China's tobacco industry will continue and the business adjustment and optimization will further enhance our competitive strength. The Group will continue to adhere to the development strategy of "Big Customers, Big Brands" and improve its service with the major customers, with a view to establishing strategic partnership with them and seize development opportunities arising from the integration of the tobacco industry.

During the reporting period, the subsidiaries of the Group reported several operational achievements. Guangzhou Huafang successfully held the 2nd Session of Qualification Examination for Senior Cigarette Flavourists of Tobacco Industry, which was organized by the Science & Technology Department under the State Tobacco Monopoly Administration ("STMA") and jointly held by the Base for Training Cigarette Flavourist Talents of STMA. The examination was attended by 30 core cigarette flavourists from 17 PRC tobacco companies, which further expanded the Group's influence in the industry. In April, Wuxi Huahai received its first patent from the State Intellectual Property Office for its invention named the "Extraction Method of Natural Chinese Herbal Fragrance and its Application". In July, Wuxi Huahai received another two national patents, which indicated further improvement of the overall R&D capability of the Group.

In respect of food and beverage, recently, the outburst of a number of safety incidents in China's food industry, especially the food additives industry, had greatly affected the operation of the food additives sector and the flavours sector. The Group has been adhering to the strategy of providing natural, safe and healthy products of good quality as well as excellent customer services and has overcome a series of negative effects from the industry. Therefore, it succeeded in reducing the impact of such negative effects on the Group to the minimum, and as such the impact to the overall operation of food and beverage business was immaterial. During the reporting period, the Group kept tight quality controls over raw materials procurement, products manufacturing and product tests to ensure that product quality remains stable. Looking forward, notwithstanding the existing food safety crisis and its influences, the management believes that such problems will not have a long-lasting effect on the industry and such challenges are beneficial to the long term development of the

管理層討論及分析 (續)

在煙草方面，據《煙草在線》數據顯示，中國煙草行業上半年的產量增長為3.9%，繼續保持平穩增長。上半年，集團在煙用業務的整體運營平穩，保持了平穩的增長。中國煙草行業在經歷了前一段快速整合後進入了調整時期，部份大客戶的增長亦有所放緩。感謝多年一直堅持的「大客戶、大品牌」的發展策略，使得本集團在國內重點煙草集團以及相當部分的國產名優煙中佔有煙用香精香料方面的主導市場份額。目前，本集團藉國內煙草行業結構性調整之機，對該業務進行調整，包括對業務流程、組織結構、人員配置以及相應的關鍵績效指標進行系統性的調整。長遠來看，中國煙草行業的整合仍將繼續，而業務優化及調整將進一步提升集團的競爭力。本集團將繼續堅持「大客戶、大品牌」的發展策略，進一步深化與重點大客戶的服務，建立戰略合作關係，把握下一步煙草行業整合的發展契機。

本報告期內，各下屬子公司在運營方面亦取得多項成績。廣州華芳成功舉辦了「煙草行業第二期卷煙高級調香師入學資格考試」，該考試由國家局科技司組織及國家局卷煙調香人才培養基地共同組辦，考評了國內17家卷煙企業約30名卷煙調香核心骨幹成員，進一步擴大了本集團在行業的影響力。四月，無錫華海以一項名為《一種天然中草藥香味成分的提取方法及其提取物應用》的發明，首次獲得了國家知識產權局授權專利。七月，無錫華海獲得另外兩項國家專利，本集團整體研發能力進一步提高。

在食品及飲料方面，近一段時間以來，中國食品行業，特別是食品添加劑行業安全事故頻出，較大的影響了整個食品添加劑行業以及香精香料行業的運行。本集團始終堅持以天然、安全、健康的優秀品質及卓越的顧客服務的發展策略，在克服一系列不利的行業因素情況下，將這些不利因素對集團的影響降到最低，食品以及飲料業務整體運營所受影響不大。於報告期內，本集團通過對原材料採購、產品製造及出廠檢測等各個環節嚴把質量關，產品質量保持穩定。未來，儘管國內食品安全風波問題及影響將依然存在，但管理層相信這些問題對行業的影響並不是長期的，而且從長遠來看對整個行業的發展是有利的。管理層相信在新輪行業整合中，有規模及信譽的大型企業必將最終受惠並獲得更大的發展機遇。上半年，

Management Discussion and Analysis (cont'd)

whole industry. The management believes that well established and reputable large enterprises will eventually benefit from the new round of consolidation of the industry and meet with greater opportunities for development. During the first half of the year, Huabao Shanghai was chosen by China National Light Industry Council as one of the "2010 Top Ten Enterprises in the Flavours and Fragrances Sector of the Light Industry" for the second time, which again demonstrated the leading position of the Group in the industry.

In April this year, the Group injected capital to Yongzhou Shanxiang in Hunan Province, representing a step forward in building an integrated core value chain. Yongzhou Shanxiang's management team has long been focused in the production of natural litsea cubeba oil and natural lemon citrus extract. The quality of the company's major products, natural litsea cubeba oil and natural lemon citrus, are recognized by international customers and in terms of volume it is one of the leading enterprises in China. Litsea cubeba oil is a unique natural flavour in China and one of its major production bases is located in Hunan Province. Natural litsea cubeba oil and natural lemon citrus extract are common raw materials for food making, daily products and medical products. The Group's next move will be to start an expansion program for Yongzhou Shanxiang through the use of the Group's patented technologies to enhance product quality and added values. The Group will also stick to the persistent drive for the development of segment businesses and higher profitability and the development strategy of building an integrated core value chain.

In addition, the Group's regional R&D and production base in the city of Yingtan in Jiangxi Province, which is expected to escalate the Group's overall competitive edge, is about to complete. In view of the continuous growth of the business of the Group, and in order to further reduce management costs and improve unit efficiency by implementing a centralized and streamlined management system and achieving economies of scale, the Group resolved to make investment in Yingtan to establish a regional R&D and production base for its flavours and fragrances businesses after performing due diligence and due consideration, so as to secure the long-term development of the Group.

Review of Fragrances Business

For the six months ended 30 September 2011, the Group's sales revenue from fragrances increased by approximately 127.7% from HKD37,506,000 in the corresponding period last year to HKD85,409,000, representing approximately 5.6% of the total revenue of the Group. Operating profit of the fragrances segment reached HKD3,568,000, representing a decrease of approximately 43.6% from that of the corresponding period last year. EBIT margin was approximately 4.2%, representing a decrease from 16.9% in the corresponding period last year. The growth in sales revenue of the fragrances segment was mainly attributable to the acquisition of Yunnan Huaxiangyuan, while the decrease in operating profit was mainly due to fierce competition in the fragrances industry and the increased segment operating expenses.

管理層討論及分析 (續)

華寶上海連續第二年被中國輕工業聯合會評為「二零一零年度中國輕工業香料香精行業十強企業」之一，再次表現了集團在行業內的領導地位。

今年四月，集團在湖南省增資永州山香，進一步拓展核心一體化產業鏈。永州山香的管理團隊長期專注於從事天然山蒼子油及天然檸檬醛的生產，其主要產品天然山蒼子油及天然檸檬醛的質量得到國際客戶認可，而其產量已為國內領先企業之一。山蒼子油為中國特有的一種天然香原料，尤其以湖南省永州市為最主要的出產地之一。天然山蒼子油及天然檸檬醛為食用、日用及藥用產品的常用原材料之一。下一步，本集團將對永州山香展開擴建工作，應用本集團的專利技術提升產品的質量及附加價值，繼續推進板塊業務發展及盈利能力，推進本集團長久打造核心一體化產業鏈的發展戰略。

另外，本集團在江西省鷹潭市的區域性研發及生產基地亦將近落成，本集團綜合競爭將再上一台階。隨著本集團業務的不斷增長，為了實現集約化管理與規模化經營，為日後進一步降低管理成本，提高單位效益，本集團經多方考察及綜合考慮後決定在鷹潭投資設立香精香料區域性研發及生產基地，保障本集團的長期發展。

日用香精香料業務回顧

截至二零一一年九月三十日止六個月，本集團日用香精香料銷售收入為港幣85,409,000元，較去年同期的港幣37,506,000元增長了約127.7%，佔整個集團的收入約5.6%。日用香精香料的板塊營運盈利達港幣3,568,000元，同比減少約43.6%，EBIT率約為4.2%，低於去年同期16.9%的水平。日用香精香料的收入增長主要貢獻是來自於收購的雲南華香源，營運盈利減少主要是由於日用香精香料行業競爭激烈以及板塊運營費用增加所致。

Management Discussion and Analysis (cont'd)

The Group has devoted itself to the progressive construction of an integrated core value chain through a combination of organic growth and M&As, with a view to lay a solid foundation for the Group's long-term strategic and sustainable development. Yunnan Huaxiangyuan is located in Yunnan Province, which is known as one of China's main bases for the production of natural aromatic raw materials. The eucalyptus oil, citronella oil and turpentine oil produced by Yunnan Huaxiangyuan account for certain shares both in domestic and international markets. Following the acquisition of Yunnan Huaxiangyuan by the Group in September last year, the Group expanded its production capacity through a series of technical innovations and achieved a rapid growth, which brought new momentum to the growth of the fragrances segment and facilitated the integration process of the upstream and downstream businesses, and thus formed a brand new development platform for fragrances.

In the first half of the year, the fragrances business achieved a rapid growth in sales revenue, which is attributable to the strong product mix of the traditional products of Xiamen Amber, supplemented by the natural aromatic raw materials produced by Yunnan Huaxiangyuan. However, in view of fierce competition in the fragrances businesses and increased segment operating expenses during the first half of the year, which led to a decrease in operating profit. Looking ahead, Yunnan Huaxiangyuan will continue to put more efforts in the development of the eucalyptus oil and turpentine oil businesses. It will also further expand and upgrade the production line, increase its production and deep refining capabilities, and proactively develop international and domestic customers aiming to achieve steady growth.

Review of RTL Business

For the six months ended 30 September 2011, the Group's RTL sales revenue reached HKD110,769,000, realizing an operating profit of HKD16,835,000, while EBIT margin was approximately 15.2%. After completing the acquisition of Guangdong Jinye Group in January this year, the Group carried out a technical upgrade of the production line of Guangdong Jinke and improved its products with impressive results. The quality of its products has been improved, laying a solid foundation for the Group's future development in RTL business. Currently, the Group is pushing ahead with the construction of its self-designed production line in the second phase of Guangdong Jinye project, which will have a production capacity of 20,000 tons of RTL per annum and match international technical level. This production line will produce high-quality RTL product for the Group's existing customers for their mid and high-end cigarette brands and enable the Group to grasp the next stage of opportunities arising from the adoption of low tar standards by the PRC tobacco industry. With the progression of these projects, the management believes that the Group's RTL business will embrace a new development and will become the driving engine for the Group's development.

管理層討論及分析 (續)

本集團一直致力於通過有機和併購的方式逐步打造核心一體化的產業鏈，為本集團提供長期戰略性可持續發展的基礎。雲南華香源地處雲南省，是中國主要的天然香原料基地，其生產的桉葉油、香茅油及松節油在國內和國際市場中佔有一定的市場份額。去年九月本集團收購雲南華香源之後，通過實施一系列技術改造，擴大生產能力，獲得了較快發展，為日用香精香料板塊注入了新的增長動力，推動了上下游一體化的進程，形成了一個全新的日用香精香料發展平台。

上半年，廈門琥珀發揮其傳統優勢產品，配合雲南華香源的天然香原料產品，日用香精香料業務取得了銷售收入的高速增長。但是，日用香精香料領域競爭激烈及板塊運營費用增加，本集團加大投入導致經營利潤有所減少。未來，雲南華香源將繼續加強在桉葉油及松節油的業務發展，進一步擴大和改造生產線，提高生產能力和深加工水平，積極拓展國際國內客戶，爭取實現穩健增長。

煙草薄片業務回顧

截至二零一一年九月三十日止六個月，本集團煙草薄片銷售收入為港幣110,769,000元，營運盈利達港幣16,835,000元，EBIT率約為15.2%。自今年一月完成收購廣東金葉集團後，集團通過對廣東金科生產線的工藝改造和產品優化，取得了明顯的效果，其產品品質有所提升，為本集團下一步在煙草薄片領域的發展打下堅實的基礎。目前，本集團正全力組建自身研發的廣東金葉二期生產線。該生產線年產20,000噸煙草薄片，技術上將達到國際領先水平，將主要為本集團現有重點大客戶及其中高檔卷煙品牌提供優質的煙草薄片，以把握國內卷煙行業下一步進行降焦減害帶來的發展機遇。隨著這些項目的陸續實施，管理層相信未來本集團在煙草薄片方面將迎來新的發展，並將成為本集團新的增長引擎。

Management Discussion and Analysis (cont'd)

In 2010, the STMA released the timetable for the implementation of the low tar content and less harmful standards and included RTL made by paper-making technology into the “Twelfth Five-year Plan” as one of primary developing fields. Promoting RTL development is an important step to implement the basic guideline and strategic task of “attaining the quality of cigarettes to a higher standard”. Firstly, RTL has the characteristics of low density, high porosity, high flammability and good filling which are the effective ways to reduce tar content and harm. Secondly, RTL can work not only as a technical measure to reduce tar content and harm, the RTL functional products can also help to improve cigarette aroma and adjust cigarette smoke. Hence, RTL can serve as a carrier to enhance flavours and retain moisture. Furthermore, having flexibility in compositions, RTL can maintain a more stable interior quality than natural tobacco leaves through industrial technological measures so as to smooth over some quality defects that are associated with the natural tobacco leaves due to natural conditions beyond control in the plantation process. The RTL industry has been a very mature sector in overseas markets and RTL has been widely used in tobacco industry world-wide. However, RTL is still at the initial stage of development in China and has great development potential. In China, it is currently required that the tar content per cigarette shall not exceed 12 mg and that the tar content per cigarette shall be further reduced to less than 10 mg effective from 1 January 2015. The management believes that the RTL business in the PRC will enter into a rapid growth period in future.

In respect of business operation, during the first half of 2011, three self-developed technologies of Guangdong Jinye Group received patent certificates from the State Intellectual Property Office. Government officials from the Science and Technology Department of the STMA and Inspection Committee from Guangdong Provincial Committee paid visits to Guangdong Jinye Group and attached great importance to and spoke highly of the achievements of Guangdong Jinke and the construction of the production line in the second phase of Guangdong Jinye. The proposal to setup a “Joint Laboratory of Reconstituted Tobacco Leaves made by paper-making technology” was officially signed and implemented. It is expected that the construction of such laboratory will further enhance the strategic cooperation between China Tobacco Guangdong and the Group. During the reporting period, Guangzhou Huafang successfully held a seminar on the “Major Special Program on Reconstituted Tobacco Leaves made by paper-making technology” and invited a number of experts from various organizations in the industry, including those from the Science and Technology Department and the Planning Department of the STMA, enterprises engaging in the research and production of RTL, Yunnan Tobacco Research Institute and some tobacco companies, to participate in the discussion and study research of the future development of the RTL sector and the relevant policies, with an aim to boost the rapid development of the domestic RTL market and to aggressively promote the rapid development of the domestic RTL industry.

管理層討論及分析 (續)

二零一零年國家煙草專賣局公告了卷煙降焦減害時間表，並將造紙法煙草薄片列入國家煙草行業「十二五計劃」的重點發展領域之一。發展煙草薄片是煙草行業實現「卷煙上水平」基本方針和戰略任務的重要措施。首先，煙草薄片具有密度小、孔隙度高、燃燒性好及填充能力大的特性，是實現卷煙降焦減害的有力手段；其次，煙草薄片不但可以成為降焦減害的重要技術措施，而且功能化的煙草薄片產品可以具有輔助卷煙配方香氣及協調煙氣的作用，可以成為增香保潤技術的載體；再者，煙草薄片由於其成份可調可控的特點，內在品質比天然煙葉更為穩定，可以實現通過工業技術手段，彌補煙葉由於種植過程中自然條件的不可抗力所造成的品質缺陷。煙草薄片行業在國外已發展成一個相當成熟的行業，為國際煙草行業所廣泛使用；煙草薄片行業在國內發展尚處於初期，發展潛力很大。國內現階段的政策為每根香煙焦油含量不能超過12毫克，於二零一五年一月一日起將進一步下降至不能超過10毫克。管理層相信未來中國煙草薄片行業將進入快速發展期。

運營方面，上半年，廣東金葉集團共三項自主研发技術獲得了國家知識產權局授權專利。國家煙草專賣局科技司、廣東省委巡視組等政府官員分別親臨廣東金葉集團參觀考察，對廣東金科現有的成績及廣東金葉二期生產線的建設給予高度的重視及讚揚；廣東中煙和本集團共同建立的「造紙法再造煙葉共建實驗室」正式簽署落實，該實驗室的建設將進一步加深廣東中煙與本集團的戰略合作關係；報告期內，廣州華芳成功承辦「造紙法再造煙葉重大專項方案」研討會，參加該研討會的有國家煙草專賣局科技司及計劃司、煙草薄片研發及生產企業、雲南煙草科學研究院和部分卷煙企業等多個單位的行業內外專家，旨在探討及研究煙草薄片行業的未來發展及相關政策，積極推動國內煙草薄片的快速發展。

Management Discussion and Analysis (cont'd)

R&D and Innovation Capability

The Group has a leading R&D platform in the flavours and fragrances industry in China and an international-calibre R&D team. With a State-recognized technical centre in Shanghai, a national post-doctorate scientific research workstation, a designated RTL production and R&D base in Shantou, Guangdong province which is authorized by the STMA, joint laboratories established with major tobacco enterprises, an overseas R&D centre in Germany and a professional R&D team consisting of top talents from China and abroad, the Group has maintained a leading position among its domestic peers in R&D capability.

In terms of input into R&D, for the six months ended 30 September 2011, the Group's R&D expenses accounted for approximately 5.4% of sales revenue, which was higher against the ratio of approximately 3.3% for the corresponding period of last year. The increase in R&D expenses ensured the Group's persisting strength in technology innovation.

Other than R&D for the core businesses of flavours and fragrances, the Group has consistently focused on R&D of the segment of new materials for cigarettes. In June 2011, the Group acquired 100% equity interest in Yunnan Zhengbang at a consideration of approximately HKD6,926,000. This represented a further step to strengthen the Group's R&D capabilities in the segment of new materials for cigarettes after the acquisition of Guangdong Jinye Group that served to establish a strategic development platform. Yunnan Zhengbang's team has been specializing in the R&D of new materials for cigarettes since 2008. It has a sound reputation within the industry and owns a professional R&D team which has made satisfactory achievements in this sector. The management believes that the acquisition of Yunnan Zhengbang is in line with the Group's overall development strategy. It creates a framework for the Group to provide comprehensive services for domestic tobacco enterprises, and has profound strategic significance for enhancing close relationship with customers and strengthening its leading position in the industry.

管理層討論及分析 (續)

研發和創新能力

本集團擁有中國香精香料行業領先的研發平台和具有國際經驗的團隊，包括位於上海的國家級企業技術中心、國家級博士後科研工作站、位於廣東汕頭的國家煙草專賣局認定煙草薄片生產以及研發基地、與大型煙草企業組建的聯合實驗室以及位於德國的海外研發中心和一支具有國內外豐富經驗人員組成的研發團隊，在國內同行中保持領先水平。

在研發投入方面，截至二零一一年九月三十日止六個月，研發費用佔銷售收入比重約5.4%，比去年的比例約3.3%有所上升。研發費用的持續增加保證了集團的持續創新能力。

除了在核心香精香料業務的研發外，集團始終專注於卷煙新材料板塊的科研發展。二零一一年六月，集團以約港幣6,926,000元收購了雲南正邦100%的股權，為集團自收購廣東金葉集團並發展戰略性平台之後，進一步增強在卷煙新材料板塊的科研發展實力。雲南正邦團隊自二零零八年起，專業從事卷煙新材料的研發，擁有專業的技術研發團隊，在該領域取得了一定的成果，在業內亦具有較好的聲譽。管理層認為，收購雲南正邦符合本集團的整體發展戰略，形成本集團全方位服務於卷煙企業的格局，對增強與客戶緊密關係及鞏固集團行業龍頭地位具有深遠的戰略意義。

Management Discussion and Analysis (cont'd)

M&A AND INTEGRATION

Capital injection of Yongzhou Shanxiang – another strategic disposition for developing the upstream aromatic raw materials business

In April 2011, the Group through its subsidiary entered into an capital injection agreement to Yongzhou Shanxiang (a wholly owned subsidiary incorporated by the Group in March 2011) with independent third parties. The Group and the independent third parties have injected approximately HKD27,594,000 and HKD14,104,000 respectively. The equity interest of Yongzhou Shanxiang held by the Group was decreased from 100% to 67.14%. Yongzhou, located in the southwest of Hunan Province, is very suitable for the growth of litsea cubeba, a natural aromatic raw material, and is one of the main producing areas of litsea cubeba oil. The products of Yongzhou Shanxiang are recognized by international customers and in terms of volume it is one of the leading enterprises in China. In 2010, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC implemented the geographical indications protection on litsea cubeba oil in Yongzhou, further strengthened the advantageous position of litsea cubeba industry in Yongzhou.

Yongzhou Shanxiang's management team has extensive experience in the industry and possesses a number of global customers. Capital injection to Yongzhou Shanxiang is another strategic deployment of the Group in building an integrated core value chain. Yongzhou Shanxiang will rely on the resources of Yongzhou, fully capitalize our existing advantages in capital, technology, market and brand, and gradually increase the efforts in purchasing litsea cubeba oil. It will be committed to technology development and products upgrade, and focusing on deep refining technology. It will also actively develop key customer relationships and enhance the proportion of direct sales. By utilizing the geographic advantages of Yongzhou, it will further enhance the advantages of natural aromatic raw materials business in the district and become an international sizable natural aromatic raw materials enterprise.

Completed the acquisition of Yunnan Zhengbang – further accelerated the R&D development in the new materials for cigarettes sector

In June 2011, the Group acquired 100% equity interest in Yunnan Zhengbang at a consideration of approximately HKD6,926,000. This marked a further step to strengthen the Group's R&D capabilities in the segment of new materials for cigarettes since the acquisition of Guangdong Jinye Group in order to establish a strategic development platform. The acquisition of Yunnan Zhengbang is in line with the Group's overall development strategy. It creates a framework for the Group to provide comprehensive services for tobacco enterprises, and has profound strategic significance for enhancing close relationship with customers and strengthening our leading position in the industry.

管理層討論及分析 (續)

併購及整合效益

增資永州山香 – 另一發展上游香原料業務的戰略部署

於二零一一年四月，集團通過下屬子公司與獨立第三方簽訂向永州山香（本集團於二零一一年三月成立的全資子公司）增資的協議，集團及獨立第三方分別增資約港幣27,594,000元及港幣14,104,000元，增資後本集團於永州山香的股權由100%降至67.14%。永州位於湖南省西南部，自然條件優越，非常適合天然香料作物山蒼子的生長，是山蒼子油的主要產地之一。永州山香的產品得到國際客戶認可，而其產量已為國內領先企業之一。二零一零年，國家品質監督檢驗檢疫總局對永州山蒼子油實施了地理標誌產品保護，更進一步加強了永州山蒼子產業的優勢地位。

永州山香的管理團隊在業內有豐富經驗，擁有一些全球客戶資源。增資永州山香是集團在打造一體化核心產業鏈的又一戰略部署，其將依託永州的資源，充分結合本集團現有資金、技術、市場、品牌上的優勢，逐漸加大山蒼子原油的採購力度；致力於技術研發和產品升級，開展精深加工；積極開發大客戶，提高直銷比例；並利用永州的地理優勢，進一步拓展該區域的優勢天然香料業務，成為規模化、國際化的天然香料企業。

完成收購雲南正邦 – 進一步加速於卷煙新材料板塊的科研發展

於二零一一年六月，本集團以約港幣6,926,000元收購了雲南正邦100%的股權，為集團自收購廣東金葉集團並發展戰略性平台之後，進一步增強在卷煙新材料板塊的科研發展實力。收購雲南正邦符合集團的整體發展戰略，形成本集團全方位服務於卷煙企業的格局，對增強與客戶緊密關係及鞏固集團行業龍頭地位具有深遠的戰略意義。

Management Discussion and Analysis (cont'd)

BUSINESS PROSPECT

While the PRC economy maintained a relatively rapid growth amid the dismal global economic conditions, there are signs of moderation in the future. The adverse factors of structural adjustment of the PRC tobacco industry and the safety issues regarding the domestic food and beverage industry are detrimental to the Group. Nevertheless, the management is optimistic about China's huge consumer market and the potential of domestic demand. In addition, the Group carried out internal optimization and integration in order to better position itself to take advantage of any opportunities in the future. The Group strongly believes that, by adhering to its development strategies of "multi-pronged, focus growth", to keep its flavours and fragrances business as the core and proactively expanding into new segments of new materials for cigarettes, food ingredients and aromatic raw materials and form an integrated core value chain, as well as to take advantage of its overall competitive edge in management, technology, product and service, the Group will overcome all difficulties and challenges and go through such hard times. By doing so, the Group will see opportunities in crisis, and will stay vigilant in any chance of expansion brought by the next round of consolidation in the industry, thus creating higher value and returns for our Shareholders!

FINANCIAL REVIEW

Analysis of interim results for the six months ended 30 September 2011

Sales revenue

The Group's sales revenue amounted to HKD1,525,451,000 for the six months ended 30 September 2011, representing an increase of 18.6% as compared with HKD1,286,614,000 for the corresponding period last year. The rapid growth in the sales revenue was mainly attributable to increase in the sales of flavours, fragrances and RTL. For the six months ended 30 September 2011, sales revenue from flavours increased by 6.4% to HKD1,329,273,000; sales revenue from fragrances increased by 127.7% to HKD85,409,000; and sales revenue from RTL amounted to HKD110,769,000.

Cost of goods sold

The Group's cost of goods sold amounted to HKD449,229,000 for the six months ended 30 September 2011, representing an increase of 42.7% as compared with HKD314,810,000 for the corresponding period last year. The percentage increase in the cost of goods sold was significantly higher than the percentage increase in the sales revenue was mainly attributable to the decrease in gross profit margin and increase in sales revenue.

管理層討論及分析 (續)

業務展望

當前全球經濟形勢不容樂觀，中國經濟雖然保持了相對高速的增長，但未來亦有放緩的趨勢。中國煙草行業的結構性調整以及中國食品飲料行業安全性問題等不利因素將繼續對本集團產生一定的影響。縱使如此，管理層仍然長期看好中國龐大的消費者市場及內需潛力。同時，本集團亦針對內部進行優化及調整以應對未來各方面的發展機遇。管理層深信，只要堅持同心多元化的發展策略，以香精香料業務為核心，積極發展卷煙新材料、食品配料以及香原料等新領域，打造一體化的核心產業鏈；充分發揮在管理、技術、產品和服務上的綜合競爭優勢；定能克服重重困難和挑戰，力求平穩過渡，化危為機，在新一輪行業整合中，把握更大的發展機會，為股東創造更大的價值和回報！

財務狀況回顧

截至二零一一年九月三十日止六個月的中期業績分析

營業額

截至二零一一年九月三十日止六個月，本集團的營業額達到港幣1,525,451,000元，較上年同期的港幣1,286,614,000元，增長18.6%。營業額的快速增長，主要是由於食用、日用香精香料以及煙草薄片銷售額的增加所致。截至二零一一年九月三十日止六個月，本集團食用香精香料的營業額增加6.4%至港幣1,329,273,000元，日用香精香料的營業額增加了127.7%至港幣85,409,000元，而煙草薄片的營業額為港幣110,769,000元。

銷售成本

截至二零一一年九月三十日止六個月，本集團的銷售成本為港幣449,229,000元，較上年同期的港幣314,810,000元，增加42.7%。銷售成本同銷售收入相比漲幅大幅上升，主要是由於毛利率下降及營業額上升所致。

Management Discussion and Analysis (cont'd)

Gross profit and gross profit margin

The gross profit of the Group increased from HKD971,804,000 for the six months ended 30 September 2010 to HKD1,076,222,000 for the six months ended 30 September 2011, representing an increase of 10.7%, while the gross profit margin of the Group decreased from 75.5% of first half of last financial year to 70.6% of first half of current year. The increase in the gross profit was mainly attributable to the increase in the sales revenue of the Group, while the decrease in the gross profit margin was mainly attributable to the significant increase in the proportion of sales revenue of fragrances and RTL, which have lower gross profit margins, to total sales revenue.

Other income

Other income of the Group was HKD92,436,000 for the six months ended 30 September 2011, representing an increase of HKD39,664,000 as compared with HKD52,772,000 for the six months ended 30 September 2010. The increase in other income was mainly attributable to the appreciation of RMB to HKD and increase in local government subsidy.

Selling and marketing expenses

The selling and marketing expenses of the Group comprised mainly traveling expenses, transportation cost, salaries and office expenses. The selling and marketing expenses of the Group for the six months ended 30 September 2011 were HKD45,718,000, representing an increase of approximately 18.0% as compared with HKD38,738,000 for the corresponding period last year. The ratio of selling and marketing expenses to the total sales was maintained the same as compared with the corresponding period last year.

Administrative expenses

The Group's administrative expenses amounted to HKD194,103,000 for the six months ended 30 September 2011, representing an increase of 67.3% as compared with HKD116,004,000 for the corresponding period last year. The ratio of administrative expenses to total sales was approximately 12.7%, representing an increase of 3.7 percentage points as compared with 9.0% for the corresponding period last year. Among which the ratio of R&D expenses to total sales was approximately 5.4%, increased by approximately 2.1 percentage points as compared with the corresponding period last year; the ratio of amortization expenses of intangible assets from the acquisition of Guangdong Jinye Group to total sales was 0.6%; the ratio of depreciation expenses to total sales was 0.8%, representing an increase of 0.3 percentage point compared with same period last year. Administrative expenses and its ratio to total sales increased was mainly attributable to the increase in the Group's R&D expenses, amortization of intangible assets from the acquisition of Guangdong Jinye Group and the increase in fixed assets investments.

管理層討論及分析 (續)

毛利和毛利率

本集團的毛利由截至二零一零年九月三十日止六個月的港幣971,804,000元增加至截至二零一一年九月三十日止六個月的港幣1,076,222,000元，增長10.7%，而本集團上半年的毛利率則由上一財政年度上半年的75.5%下降至70.6%。本集團毛利的增加主要是本集團銷售收入增加所致，毛利率的下降主要是由於毛利率較低的日用香精香料及煙草薄片的銷售收入佔總銷售收入的比重明顯提高所致。

其他收益

截至二零一一年九月三十日止六個月，本集團的其他收益為港幣92,436,000元，較截至二零一零年九月三十日止六個月的港幣52,772,000元增加了港幣39,664,000元。其他收入的增加主要是由於人民幣對港幣升值以及地方政府補貼增加所致。

銷售及市場推廣開支

本集團銷售及市場推廣開支主要包括差旅費、運輸成本、薪金及辦公費用等。本集團截至二零一一年九月三十日止六個月的銷售及市場推廣開支為港幣45,718,000元，較上年度的港幣38,738,000元，增加了18.0%。本期間及去年同期銷售及市場推廣開支所佔銷售總額的比例持平。

行政開支

本集團的行政開支在截至二零一一年九月三十日止六個月為港幣194,103,000元，較上年同期的港幣116,004,000元，增加67.3%。而行政開支所佔銷售總額的比例為約12.7%，較去年同期的9.0%增加了3.7個百分點。其中研發費用佔銷售總額約5.4%，較去年同期增加了約2.1個百分點；因併購廣東金葉集團產生無形資產攤銷佔銷售總額的比例為0.6%；折舊佔銷售總額約0.8%，較去年同期增加了約0.3個百分點。行政開支金額及佔銷售比例增加的原因是集團研發費用的上升、併購廣東金葉集團產生無形資產攤銷以及固定資產投資增加所致。

Management Discussion and Analysis (cont'd)

Operating profit

The operating profit of the Group for the six months ended 30 September 2011 was HKD928,837,000, representing an increase of approximately 6.8% as compared with HKD869,834,000 for the corresponding period last year, while the operating profit margin decreased to approximately 60.9% during the first half of the year from approximately 67.6% for the first half of last year. The increase in the operating profit was attributable to the increase in the sales revenue, while the decrease in operating profit margin was attributable to the decrease in gross profit margin and increase in the ratio of administrative expenses to total sales.

Income tax expenses

The income tax expenses of the Group for the six months ended 30 September 2011 was HKD111,385,000, representing a decrease of approximately HKD4,710,000 as compared with HKD116,095,000 for the corresponding period last year. The decrease in the income tax expenses was mainly attributable to the decrease in the withholding income tax on dividends remitted by subsidiaries in the PRC to their parent companies in Hong Kong.

Profit attributable to the equity holders of the Company

Profit attributable to the equity holders of the Company was HKD814,920,000 for the six months ended 30 September 2011, representing an increase of 8.3% as compared with HKD752,266,000 for the corresponding period last year.

Net current asset value and financial resources

As at 30 September 2011, the net current asset value of the Group was HKD2,207,028,000 (31 March 2011: HKD1,649,351,000). The Group generates its working capital mainly through its operating activities to maintain a sound financial position. As at 30 September 2011, The Group's cash and cash equivalents amounted to HKD2,257,649,000 (31 March 2011: HKD1,676,410,000).

The Group neither had any forex hedging products nor structured investment products or financial derivatives.

管理層討論及分析 (續)

營運盈利

本集團營運盈利在截至二零一一年九月三十日止六個月為港幣928,837,000元，較上年同期的港幣869,834,000元，增長了約6.8%。而本集團的營運盈利率則由上一年度同期的約67.6%下降至本年度的約60.9%。營運盈利的增加主要是由於銷售收入的增加所致，營運盈利率的下降則主要是由於毛利率的下降以及行政開支佔銷售收入的比重增加所致。

稅務開支

本集團的稅務開支在截至二零一一年九月三十日止六個月為港幣111,385,000元，較上年同期的港幣116,095,000元，下降了約港幣4,710,000。所得稅開支的下降主要是由於國內子公司向其香港母公司分配股息而產生的預提所得稅減少所致。

本公司權益持有人應佔盈利

本公司權益持有人應佔盈利在截至二零一一年九月三十日止六個月為港幣814,920,000元，較去年同期的港幣752,266,000元，增長8.3%。

流動資產淨值和財務資源

於二零一一年九月三十日，本集團的流動資產淨值港幣2,207,028,000元（二零一一年三月三十一日：港幣1,649,351,000元）。本集團主要透過經營業務提供營運資金，維持穩健財務狀況。於二零一一年九月三十日，本集團的現金及現金等價物為港幣2,257,649,000元（二零一一年三月三十一日：港幣1,676,410,000元）。

本集團無持有任何外匯對沖產品、結構性投資產品及財務衍生工具。

Management Discussion and Analysis (cont'd)

Bank borrowings and gearing ratio

As at 30 September 2011, the Group had bank borrowings of HKD743,679,000 (31 March 2011: HKD743,562,000), out of which HKD740 million is clean loan with interest calculated based on HK dollars inter-banks borrowings rate. For the six months ended 30 September 2011, the average annual interest rate of such clean loan was 1.49% (2010: 1.71%) which are due within 1 year. The Group's gearing ratio (total borrowings, include current and non-current borrowings, divided by total equity (excludes non-controlling interests)) was about 13.0% as at 30 September 2011 (31 March 2011: 14.8%).

Debtors' turnover period

Debtors' turnover period is calculated on the basis of the average amount of trade receivables net of provisions as at the beginning and at the end of a relevant financial period divided by the total sales revenue for the corresponding period and multiplied by 180 days. The Group generally offers its customers a credit period of approximately 0-180 days, depending on the business volume of, and the length of business relationship with, the customers. For the six months ended 30 September 2011, the Group's average debtors' turnover period was 78 days, representing an increase of 4 days as compared with 74 days for the last financial year ended 31 March 2011, the debtors' turnover period remains stable.

Creditors' turnover period

Creditors' turnover period is calculated on the basis of the average amount of trade payables as at the beginning and at the end of a relevant financial period divided by the cost of goods sold for the corresponding period and multiplied by 180 days. Credit periods granted by suppliers to the Group ranged from 0-180 days. For the six months ended 30 September 2011, the Group's average creditors' turnover period was 119 days, representing a decrease of 14 days as compared with 133 days for the last financial year ended 31 March 2011. The decrease of the creditors' turnover period was attributable to the increase in natural aromatic raw materials procurement amount along with a shorter creditors' turnover period.

管理層討論及分析 (續)

銀行貸款及負債比率

於二零一一年九月三十日，本集團的銀行借貨總額為港幣743,679,000元（二零一一年三月三十一日：港幣743,562,000元），其中港幣7.4億元為信用貸款，按港元銀行同業拆借息率作基礎，截至二零一一年九月三十日止六個月，該信用貸款的平均年息率為1.49厘（二零一零年：1.71厘）並於一年內到期償還。於二零一一年九月三十日，本集團之負債比率（總債務（包括流動及非流動貸款）除以總權益，不含非控制性權益）為13.0%（二零一一年三月三十一日：14.8%）。

應收賬周轉期

應收賬周轉期乃通過將有關財政年度期初及期末經扣除撥備的應收貿易賬款平均金額除以相應期間的營業總額再乘以180天計算。本集團一般給予客戶約0至180日的信貸期，根據客戶業務量的大小和業務關係時間長短而定。截至二零一一年九月三十日止六個月，本集團的平均應收賬周轉期為78日，比較截至二零一一年三月三十一日止上一財政年度的74日上升了4日，基本穩定。

應付賬周轉期

應付賬周轉期乃通過將有關財政年度期初及期末的應付貿易賬款平均金額除以相應期間的銷售成本再乘以180天計算。供應商給予本集團的信貸期介乎零日至180日。截至二零一一年九月三十日止的六個月期間，本集團的平均應付賬周轉期為119日，比較截至二零一一年三月三十一日止上一財政年度的133日下降了14日。應付賬周轉期下降的主要原因是天然香原料的採購金額增加而且付款周期較短所致。

Management Discussion and Analysis (cont'd)

Inventory and inventory turnover period

As at 30 September 2011, the Group's inventory balance amounted to HKD570,740,000 (31 March 2011: HKD467,961,000). The Group has continued to improve its inventory management and to optimize its inventory structure, thus the inventory balance has noticeably increased. For the six months ended 30 September 2011, the inventory turnover period (calculated on the basis of the average amount of inventory balances as at the beginning and at the end of a relevant financial period divided by the total cost of goods sold for the corresponding period and multiplied by 180 days) was 208 days, representing an increase of 35 days as compared with 173 days for the last financial year ended 31 March 2011. The increase in inventory and inventory turnover period were mainly attributable to the concentration of natural raw materials procurement by companies such as Yongzhou Shanxiang.

Foreign exchange and exchange rate risk

The principal businesses of the Group are located in the Mainland China and most of the business transactions are denominated in RMB. The Board is of the view that the Group's exposure to foreign exchange risk is insignificant. There is insignificant pressure for the depreciation of RMB and thus the Group's exposure to exchange rate risk is relatively low.

Pledge of assets

As at 30 September 2011, the secured bank loan of the Group amounted to approximately HKD3,679,000 (31 March 2011: HKD3,562,000).

Capital Commitments

As at 30 September 2011, the Group had capital commitments in respect of the purchase of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately HKD427,296,000 (31 March 2011: HKD74,716,000), majority of which was related to the property, plant and equipment of the second phase of Guangdong Jinye project.

Contingent liabilities

According to the information available to the Board, the Group had no contingent liabilities as at 30 September 2011.

管理層討論及分析 (續)

存貨和存貨周轉期

本集團的存貨結餘於二零一一年九月三十日為港幣570,740,000元(二零一一年三月三十一日:港幣467,961,000元)。本集團不斷加強存貨管理、優化存貨結構,存貨金額明顯上升。在截至二零一一年九月三十日止六個月期間,存貨周轉期(將有關財政年度期初及期末的存貨平均結餘除以相應期間的銷售成本總額再乘以180天計算)為208日,比較截至二零一一年三月三十一日止上一個財政年度的173日增加了35日,存貨和存貨周轉期上漲的主要原因是由於永州山香等公司集中採購天然香原料所致。

外匯及匯率風險

本集團的主要業務均在中國,絕大部分業務都以人民幣結算,故董事會認為本集團的外匯風險不高。而人民幣並無重大貶值壓力,因此本集團所承擔之匯率風險也較低。

資產抵押

於二零一一年九月三十日,本集團的抵押貸款約為港幣3,679,000元(二零一一年三月三十一日:港幣3,562,000元)。

資本承擔

於二零一一年九月三十日,本集團就已訂約購買的物業、機器及設備但並未於財務報表撥備的資本承擔約港幣427,296,000元(二零一一年三月三十一日:港幣74,716,000元),主要涉及廣東金葉二期的物業、機器及設備。

或然負債

根據可供董事會查閱的資料,本集團於二零一一年九月三十日並無任何或然負債。

Management Discussion and Analysis (cont'd)

HUMAN RESOURCES

As at 30 September 2011, the Group employed a total of approximately 1,977 employees in the PRC, Hong Kong, Germany and Botswana. The sound development of the Group attracts talents in the industry. Moreover, during the period, the Group continued to recruit talents based on the business needs and, in the meantime, the Group kept the core staff of acquired enterprises upon the acquisition, assimilating them into the Group's corporate culture. The Board places great emphasis on the career development of employees and provides them with ample space for growth. Meanwhile, we provide them with competitive remuneration as compared with the existing market condition.

To upgrade the Group to the international standard in terms of technology and management, the Group lays great stress on staff training and talent recruitment, to enhance the employees' initiative and creativity. The Group provides training to mid-top executives and the management on a regular basis, guiding them towards common values to strengthen team spirit. In addition, the Group has built talent banks for various staff levels to completely resolve the issue of talent availability encountered by the enterprise during long term development.

As to remuneration, the Group provides its employees with competitive remunerations, pension schemes and other fringe benefits, and grants awards to the employees based on their performance. The Group has implemented a share option scheme in September 2006 to reward the staff and directors who have made significant contributions to the business development of the Group. For the period from 2006 to 2008, the Group granted share options to 79 persons including directors, senior management, technical and business executives.

管理層討論及分析 (續)

人力資源

於二零一一年九月三十日，本集團在中國大陸、香港、德國及博茨瓦納共聘用員工1,977人。本集團良好的發展勢頭吸引了大批業界優秀人士的加盟，此外，根據在業務上的需要，期內本集團繼續引進人才，同時，本集團在收購時保持了被收購企業骨幹員工的穩定並融入集團文化。董事會非常重視僱員的發展，給予他們充分的空間。同時在待遇方面我們及時地研究市場情況保持充分的競爭力。

為了配合集團實現技術和管理國際化發展規劃，本集團十分注意員工的培養和人才引進工作，提高員工積極性並培養員工的創造力。本集團定期對中高層及管理層人員進行培訓，樹立共同的價值觀，加強團體精神。另外，集團還建立了多個級別的人才庫，從根本上解決了企業長期發展所需之人才儲備問題。

在薪酬待遇方面，本集團向員工提供具競爭力的薪酬和退休供款計劃等其他福利，並根據員工的表現給予適當的獎勵。本集團亦已於二零零六年九月份實行購股權計劃，以嘉獎為本集團業務發展做出重要貢獻的員工及董事，並於二零零六至二零零八年期間向包括董事、高層管理人員、技術和業務人員共79人授出購股權。

Other Information

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the interests of the Directors and their associates in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long position in ordinary shares of HKD0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary Shares held	Percentage of the issued share capital
董事姓名	身份	持有已發行股份數目	佔已發行股本百分比
CHU Lam Yiu 朱林瑤	Held through controlled corporations* 透過受控制公司持有*	1,212,262,415	38.428%
LEE Luk Shiu 李祿兆	Beneficial Owner 實益擁有人	200,000	0.006%
WANG Guang Yu 王光雨	Beneficial Owner 實益擁有人	2,700,000	0.086%
XIONG Qing 熊卿	Beneficial Owner 實益擁有人	100,000	0.003%

* 1,212,262,415 ordinary shares of the Company were held by Mogul Enterprises Limited, Resourceful Link International Limited, Power Nation International Limited, Jumbo Elite Limited, Raise Sino Investments Limited and Real Elite Investments Limited. Ms. CHU Lam Yiu is the sole beneficial owner of the aforesaid six companies.

(b) Interests in share options of the Company

The interests of the Directors in the share options of the Company are detailed in the "Share Options" section stated below.

Save as disclosed above, as at 30 September 2011, none of the Directors nor their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its subsidiaries or associated companies as defined in the SFO.

其他資料

董事於股份、相關股份及債券之權益

於二零一一年九月三十日，董事及彼等之聯繫人士於本公司及其相聯法團（定義見證券及期貨條例第XV部）之股份、相關股份及債券中擁有本公司根據證券及期貨條例第352條規定所存置之登記冊所記錄之權益；或擁有根據上市規則附錄十所載的標準守則而須知會本公司及聯交所之權益如下：

(a) 本公司每股面值港幣0.10元之普通股好倉

Number of issued ordinary Shares held	Percentage of the issued share capital
持有已發行股份數目	佔已發行股本百分比

* 本公司之1,212,262,415股普通股乃由Mogul Enterprises Limited, Resourceful Link International Limited, Power Nation International Limited, Jumbo Elite Limited, Raise Sino Investments Limited及Real Elite Investments Limited共同持有，朱林瑤女士為此六間公司之唯一實益擁有人。

(b) 本公司購股權之權益

董事之購股權權益已詳列於以下「購股權」一節內。

除上文所披露者外，於二零一一年九月三十日，董事及彼等之聯繫人士概無於本公司或其任何附屬公司或相聯法團（定義見證券及期貨條例）之任何股份、相關股份或債券中擁有任何權益或淡倉。

Other Information (cont'd)

其他資料 (續)

SHARE OPTIONS

購股權

Pursuant to a resolution passed on the special general meeting of Shareholders held on 22 September 2006, the Company adopted a share option scheme (the "Share Option Scheme"). As at 30 September 2011, the share options granted by the Company pursuant to the Share Option Scheme which were valid and outstanding amounted to 36,240,000, representing approximately 1.15% of the issued share capital of the Company.

根據本公司於二零零六年九月二十二日舉行的股東特別大會上通過的決議案，本公司採納購股權計劃（「購股權計劃」）。於二零一一年九月三十日，本公司根據購股權計劃所授出而仍然有效及未被行使的購股權數目合共36,240,000股，佔已發行普通股約1.15%。

Details of share options granted, exercised, canceled and lapsed during the reporting period under the Share Option Scheme are set out as follows:

於期內，根據購股權計劃批授、行使、注銷及失效的購股權詳情如下：

Grantee	Grant Date	Exercise Price	Exercise Period	As at 1 April 2011 於 二零一一年 四月一日	Number of Share Options 股份數目				Balance as at 30 September 2011 於 二零一一年 九月三十日
					Granted during the Period	Exercised during the period	Canceled during the period	Lapsed during the period	
承授人	授出日期	行使價	可行使日期		期內批授	期內行使	期內註銷	期內失效	
		HKD 港幣							
Executive Directors 執行董事									
Mr. LAU Chi Tak 劉志德先生	14 April 2008 二零零八年四月十四日	6.39	14/4/2008-13/4/2018	7,000,000	-	-	-	-	7,000,000
Mr. POON Chiu Kwok 潘昭國先生	25 October 2006 二零零六年十月二十五日	3.09	25/10/2006-24/10/2016	3,300,000	-	300,000	-	-	3,000,000
Mr. WANG Guang Yu 王光雨先生	25 October 2006 二零零六年十月二十五日	3.09	25/10/2006-24/10/2016	2,700,000	-	2,700,000	-	-	-
Mr. XIA Li Qun 夏利群先生	25 October 2006 二零零六年十月二十五日	3.09	25/10/2006-24/10/2016	5,250,000	-	-	-	-	5,250,000
Mr. XIONG Qing 熊卿先生	17 October 2007 二零零七年十月十七日	6.65	17/4/2008-16/10/2017	3,600,000	-	1,000,000	-	-	2,600,000
	14 April 2008 二零零八年四月十四日	6.39	14/4/2008-13/4/2018	3,400,000	-	-	-	-	3,400,000
Independent Non-Executive Directors 獨立非執行董事									
Mr. LEE Luk Shiu 李祿兆先生	25 October 2006 二零零六年十月二十五日	3.09	25/10/2006-24/10/2016	200,000	-	-	-	-	200,000
Ms. MA Yun Yan 麻雲燕女士	25 October 2006 二零零六年十月二十五日	3.09	25/10/2006-24/10/2016	800,000	-	-	-	-	800,000
Other employees 其他僱員									
	10 October 2006 二零零六年十月十日	3.09	10/10/2006-9/10/2016	7,600,000	-	-	-	-	7,600,000
	17 October 2007 二零零七年十月十七日	6.65	17/4/2008-16/10/2017	6,940,000	-	550,000	-	-	6,390,000
Total 合計				40,790,000	-	4,550,000	-	-	36,240,000

Other Information (cont'd)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed in note 9 to the condensed consolidated interim financial information, at no time during the reporting period was the Company, its ultimate holding companies or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, other than the interests disclosed in the section "Directors' interest in Shares, underlying Shares and debentures", the register of substantial Shareholders maintained by the Company under Section 336 of the SFO showed that the following person(s)/corporation(s) held interests or short positions in 5% or more of the issued shares capital of the Company:

Long(L)/short(S) positions in ordinary shares of HKD0.10 each of the Company

Name of Substantial Shareholders	Capacity	Long(L)/short(S) position	Number of issued Shares held 持有已發行股份數目	Percentage of the issued share capital 佔已發行股本百分比
主要股東名稱	身份	好倉/淡倉		
Lazard Asset Management LLC	Investment Manager 投資經理	L 好倉	507,617,921	16.09%
Lazard Emerging Markets Equity Portfolio	Investment Manager 投資經理	L 好倉	237,361,000	7.52%
Prudential plc	Held through controlled corporations 透過受控制的公司持有	L 好倉	158,001,000	5.01%
UBS AG*	Held through controlled corporations 透過受控制的公司持有	L 好倉	107,183,000	3.39%
		S 淡倉	65,287,000	2.06%
	Beneficial owner 實益擁有人	L 好倉	50,566,033	1.60%
		S 淡倉	44,861,569	1.42%
	Person having a security interest in shares 對股份持有保證權益的人	L 好倉	369,705	0.01%

* 17,105,841 Shares (L) and 90,000 Shares (S) were held through cash settled derivatives (off exchange)

其他資料 (續)

董事認購股份或債券之權利

除於簡明綜合中期財務資料附注9所披露者外，本公司、其最終控股公司或其任何附屬公司於期內任何時間均無參與任何安排，致使本公司之董事可藉收購本公司或任何其他法團之股份或債券而獲益。

主要股東之權益

於二零一一年九月三十日，除於「董事於股份、相關股份及債券之權益」一節所披露之權益外，本公司根據證券及期貨條例第336條存置之主要股東登記冊顯示，下列人士／法團持有本公司已發行股本5%或以上權益及淡倉。

本公司每股面值港幣0.10元之普通股好倉／淡倉

* 17,105,841股(好倉)和90,000股(淡倉)透過現金交收(場外)持有

Other Information (cont'd)

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Board of the Company recognizes and appreciates the importance and benefits of good corporate governance practices and has adopted corporate governance and disclosure practices for achieving a higher standard of transparency and accountability.

The Board members have regular discussions about the business strategies and performance of the Group and have regular trainings on Listing Rules and regulatory requirements provided by the legal adviser of the Company from time to time together with the relevant senior executives. Finance Department provides and reports to the Board members on the key management accounting information of the Group on a regular basis. The Company has an established internal reporting practice throughout the Group in monitoring the operation and business development of the Company so as to capture potentially price-sensitive information on a monthly basis, monitoring the continuing disclosure obligation.

Throughout the reporting period, save for Code Provision A.4.1 and E.1.2, the Company had complied with the code provisions recommended in the CG Code:

Code Provision A.4.1 stipulates that INEDs should be appointed for specific term and subject to re-election. The INEDs of the Company were not appointed for a specific term as they are subject to retirement by rotation no later than the third annual general meeting of the Company since their last appointment or re-election and are eligible for re-election in accordance with the Company's bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. Ms. Chu Lam Yiu, the chairman of the Company, due to business trip had been unable to attend the annual general meeting held on 5 August 2011.

其他資料 (續)

企業管治

遵守《企業管治常規守則》

本公司董事會重視良好企業管治的重要性及其所帶來的益處，並已採納若干企業管治及披露常規，致力提高透明度和問責水平。

董事會定期討論本集團表現和經營策略，並與相關高層管理人員接受本公司法律顧問定期提供的上市規則和法規要求的培訓。財務部亦定期向董事會成員匯報和提供本集團重要的管理會計資料。本公司已建立集團內部匯報制度以監控本公司營運和業務發展的情況，以便按月記錄潛在股價敏感資料，監察持續披露責任。

於報告期內，本公司已遵守企業管治守則建議之守則條文，惟守則條文第A.4.1條及E.1.2條除外：

守則條文第A.4.1條規定獨立非執行董事之委任須有指定任期，且須膺選連任。本公司獨立非執行董事並無指定任期，但須根據本公司之公司細則於其上次獲委任或重選後不超過第三屆本公司股東週年大會上輪值告退，並合乎資格膺選連任。因此，本公司認為，本公司已採取充分措施，確保本公司企業管治常規不比企業管治守則所載之規定寬鬆。

守則條文第E.1.2條規定董事會主席須出席股東週年大會。本公司之主席朱林瑤女士，由於出差未能於二零一一年八月五日出席股東週年大會。

Other Information (cont'd)

Changes to Information in respect of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) during the reporting period are set out below:

- Ms. MA Yun Yan ceased to be a member of the Growth Enterprises Board Public Offering Review Committee of China Securities Regulatory Committee upon the expiry of the term of engagement in August 2011.
- Mr. POON Chiu Kwok was appointed as the INED of Changan Minsheng APLL Logistics Co., Limited (listed on the GEM Board of the Stock Exchange) on 30 September 2011.

Model Code for securities transactions by the Directors of listed issuers

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2011.

INTERIM AND SPECIAL DIVIDENDS

The Board has resolved to declare an interim dividend of HK7.80 cents per Share (2010: HK7.20 cents per Share) and special dividend of HK5.18 cents per Share (2010: Nil) both in cash for the six months ended 30 September 2011, which are expected to be paid around 22 February 2012 (Wednesday) to Shareholders whose names appear on the Register of Members of the Company as at 10 February 2012 (Friday).

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 February 2012 (Tuesday) to 10 February 2012 (Friday), both days inclusive, during which period no transfer of Shares will be effected. All properly completed transfers of Shares accompanied by relevant share certificate(s) must be lodged with the Company's Branch Share Registrars, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 6 February 2012 (Monday) in order to qualify for the interim and special dividends.

其他資料 (續)

董事資料更新

根據上市規則第13.51B(1)條，按照第13.51(2)條(a)至(e)和(g)段要求，於期內，董事資料變動如下：

- 麻雲燕女士已於二零一一年八月按合約到期日，終止其在中國證券監督管理委員會創業板發行審核委員會之職務。
- 潘昭國先生於二零一一年九月三十日被重慶長安民生物流股份有限公司（於聯交所創業板上市）委任為獨立非執行董事。

上市發行人董事進行證券交易之標準守則

本公司已採納上市規則附錄十所載之標準守則，作為董事進行證券交易之行為規範守則。經作出具體查詢後，全體董事確認於截至二零一一年九月三十日止六個月內一直遵守標準守則所規定之標準。

中期及特別股息

董事會決議向於二零一二年二月十日（星期五）名列本公司股東登記冊之股東宣派截至二零一一年九月三十日止六個月之現金中期股息每股港幣7.80仙（二零一零年：每股港幣7.20仙）和特別股息每股港幣5.18仙（二零一零年：無），預期中期和特別股息約於二零一二年二月二十二日（星期三）派發。

暫停辦理股份過戶手續

本公司將由二零一二年二月七日（星期二）至二零一二年二月十日（星期五）止（首尾兩日包括在內），暫停辦理股份過戶登記手續。為確保符合資格的股東獲派中期和特別股息，所有填妥的過戶文件連同有關股票最遲須於二零一二年二月六日（星期一）下午四時三十分前送達本公司的股份過戶登記分處卓佳登捷時有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

Other Information (cont'd)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 September 2011.

PUBLIC FLOAT

Throughout the six months ended 30 September 2011, the Company had maintained the prescribed public float under the Listing Rules and as agreed with the Stock Exchange, based on the information that is publicly available to the Company and within the best knowledge of the Directors.

AUDIT COMMITTEE

The Board has formed an audit committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee members currently comprise all the INEDs, namely Mr. LEE Luk Shiu, Ms. MA Yun Yan and Dr. JIN Lizuo. The Audit Committee has reviewed and confirmed the Company's interim report together with unaudited condensed consolidated interim financial information for the six months ended 30 September 2011 together with the Board.

By Order of the Board
CHU Lam Yiu
Chairman

Hong Kong, 22 November 2011

其他資料 (續)

購買、出售及贖回本公司的上市證券

本公司或其任何附屬公司在截至二零一一年九月三十日止六個月期間概無購買、出售或贖回本公司任何上市證券。

公眾持股量

於截至二零一一年九月三十日止整個六個月內，本公司根據可供公眾查閱之資料以及據董事所知，本公司已維持上市規則所規定之及聯交所同意之公眾持股量。

審核委員會

董事會已根據上市規則成立了審核委員會，以履行檢討及監察本公司財務匯報程序及內部監控之職責。審核委員會成員目前由本公司獨立非執行董事李祿兆先生、麻雲燕女士及金立佐博士擔任。審核委員會連同董事會已審閱並確認中期報告連同截至二零一一年九月三十日止六個月之未經審核簡明綜合中期財務資料。

承董事會命
朱林瑤
主席

香港，二零一一年十一月二十二日

Review Report

審閱報告



羅兵咸永道會計師事務所

PricewaterhouseCoopers
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**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF HUABAO INTERNATIONAL
HOLDINGS LIMITED**

(Incorporated In Bermuda With Limited Liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 63, which comprises the condensed consolidated statement of financial position of Huabao International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 September 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**中期財務資料的審閱報告
致華寶國際控股有限公司董事會**

(於百慕達註冊成立的有限公司)

引言

本核數師(以下簡稱「我們」)已審閱列載於第30至63頁的中期財務資料,此中期財務資料包括華寶國際控股有限公司(「貴公司」)及其子公司(合稱「貴集團」)於二零一一年九月三十日的簡明綜合財務狀況表與截至該日止六個月期間的相關簡明綜合收益表、全面收益表、權益變動表和現金流量表,以及主要會計政策概要和其他附註解釋。香港聯合交易所有限公司證券上市規則規定,就中期財務資料編製的報告必須符合以上規則的有關條文以及香港會計師公會頒佈的香港會計準則第34號「中期財務報告」。貴公司董事須負責根據香港會計準則第34號「中期財務報告」編製及列報該等中期財務資料。我們的責任是根據我們的審閱對該等中期財務資料作出結論,並按照委聘之條款僅向整體董事會報告,除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。

Review Report (cont'd)

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 November 2011

審閱報告 (續)

審閱範圍

我們已根據香港會計師公會頒佈的香港審閱準則第2410號「由實體的獨立核數師執行中期財務資料審閱」進行審閱。審閱中期財務資料包括主要向負責財務和會計事務的人員作出查詢，及應用分析性和其他審閱程序。審閱的範圍遠較根據香港審計準則進行審核的範圍為小，故不能令我們可保證我們將知悉在審核中可能被發現的所有重大事項。因此，我們不會發表審核意見。

結論

按照我們的審閱，我們並無發現任何事項，令我們相信中期財務資料在各重大方面未有根據香港會計準則第34號「中期財務報告」編製。

羅兵咸永道會計師事務所
執業會計師

香港，二零一一年十一月二十二日

Condensed Consolidated Statement of Financial Position

As at 30 September 2011
(All amounts in HK dollar thousands unless otherwise stated)

簡明綜合財務狀況表

於二零一一年九月三十日
(除另有指明者外，所有金額均以港幣千元列示)

	Note 附註	As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
Assets			
Non-current assets			
Property, plant and equipment	5	644,879	536,373
Land use rights	5	197,328	194,697
Intangible assets	5	2,938,028	2,879,958
Investments in associates		62,817	61,009
Available-for-sale financial assets		40,305	38,067
Deferred income tax assets	6	44,539	42,800
		3,927,896	3,752,904
Current assets			
Inventories		570,740	467,961
Trade and other receivables	7	1,095,100	1,030,565
Cash and cash equivalents		2,257,649	1,676,410
		3,923,489	3,174,936
Total assets		7,851,385	6,927,840
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	315,460	315,005
Reserves	10	809,008	677,318
Retained earnings			
– Proposed interim/final dividend	16	246,059	251,374
– Proposed special dividend	16	163,408	–
– Others		4,201,954	3,796,953
		5,735,889	5,040,650
Non-controlling interests		322,705	255,213
Total equity		6,058,594	5,295,863
Liabilities			
Non-current liabilities			
Borrowings	11	3,679	3,562
Deferred income tax liabilities	6	72,651	102,830
		76,330	106,392
Current liabilities			
Borrowings	11	740,000	740,000
Trade and other payables	12	899,981	688,276
Current income tax liabilities		76,480	97,309
		1,716,461	1,525,585
Total liabilities		1,792,791	1,631,977
Total equity and liabilities		7,851,385	6,927,840
Net current assets		2,207,028	1,649,351
Total assets less current liabilities		6,134,924	5,402,255

The notes on pages 35 to 63 are an integral part of this condensed consolidated interim financial information.

第35頁至63頁的附註為本簡明綜合中期財務資料的整體部份。

Condensed Consolidated Income Statement

簡明綜合收益表

For the six months ended 30 September 2011
(All amounts in HK dollar thousands unless otherwise stated)

截至二零一一年九月三十日止六個月
(除另有指明者外，所有金額均以港幣千元列示)

		Unaudited 未經審核	
		For the six months ended 30 September	
		截至九月三十日止六個月	
		2011	2010
		二零一一年	二零一零年
	Note 附註		
Sales	4	1,525,451	1,286,614
Cost of goods sold		(449,229)	(314,810)
Gross profit		1,076,222	971,804
Other income		92,436	52,772
Selling and marketing expenses		(45,718)	(38,738)
Administrative expenses		(194,103)	(116,004)
Operating profit		928,837	869,834
Finance income		10,283	13,131
Finance costs		(4,075)	(2,357)
Finance income – net		6,208	10,774
Share of (loss)/profit of associates		(61)	323
Profit before income tax		934,984	880,931
Income tax expense	14	(111,385)	(116,095)
Profit for the half year		823,599	764,836
Attributable to:			
Equity holders of the Company		814,920	752,266
Non-controlling interests		8,679	12,570
		823,599	764,836
Earnings per share for profit attributable to the Company's equity holders for the half year			
– Basic (HK cents)	15(a)	25.85	23.94
– Diluted (HK cents)	15(b)	25.71	23.75
Interim dividend	16	246,059	226,545
Special dividend	16	163,408	–
		409,467	226,545

The notes on pages 35 to 63 are an integral part of this condensed consolidated interim financial information.

第35頁至63頁的附註為本簡明綜合中期財務資料的整體部份。

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011
(All amounts in HK dollar thousands unless otherwise stated)

簡明綜合全面收益表

截至二零一一年九月三十日止六個月
(除另有指明者外，所有金額均以港幣千元列示)

		Unaudited 未經審核	
		For the six months ended 30 September	
		截至九月三十日止六個月	
		2011	2010
		二零一一年	二零一零年
Profit for the half year	半年度盈利	823,599	764,836
Other comprehensive income:	其他全面收益：		
Fair value gains on available-for-sale financial assets	可供出售金融資產之公允值收益	814	-
Exchange differences on translating foreign operations	海外業務之匯兌差額	121,490	61,287
Other comprehensive income for the half year, net of tax	半年度除稅後其他全面收益	122,304	61,287
Total comprehensive income for the half year, net of tax	半年度除稅後全面收益總額	945,903	826,123
Total comprehensive income attributable to:	應佔全面收益總額：		
Equity holders of the Company	本公司權益持有人	927,323	811,113
Non-controlling interests	非控制性權益	18,580	15,010
		945,903	826,123

The notes on pages 35 to 63 are an integral part of this condensed consolidated interim financial information.

第35頁至63頁的附註為本簡明綜合中期財務資料的整體部份。

Condensed Consolidated Statement of Changes in Equity

簡明綜合權益變動表

For the six months ended 30 September 2011
(All amounts in HK dollar thousands unless otherwise stated)

截至二零一一年九月三十日止六個月
(除另有指明者外，所有金額均以港幣千元列示)

		Unaudited 未經審核					
		Attributable to equity holders of the Company 本公司權益持有人應佔				Non-controlling interests 非控制性權益	Total equity 總權益
		Share capital 股本	Reserves 儲備	Retained earnings 保留盈利	Total 總計		
Balance at 1 April 2010	於二零一零年四月一日	312,882	410,403	3,066,819	3,790,104	128,103	3,918,207
Total comprehensive income for the six months ended 30 September 2010	截至二零一零年九月三十日止六個月的全面收益總額	-	58,847	752,266	811,113	15,010	826,123
Transactions with owners in their capacity as owners:	與本公司擁有人的交易：						
Dividends payable to non-controlling interests	向非控制性權益派付的股息	-	-	-	-	(7,121)	(7,121)
Dividends payable to shareholders	向股東派付的股息	-	-	(386,137)	(386,137)	-	(386,137)
Appropriations from net profit	自純利撥付	-	5,262	(5,262)	-	-	-
Acquisition of Yunnan Hua Xiang Yuan Flavours Limited ("Yunnan Huaxiangyuan")	收購雲南華香源香料有限公司 (「雲南華香源」)	-	-	-	-	2,880	2,880
Employee share option scheme	僱員購股權計劃						
- Value of employee services	- 僱員服務價值	-	2,914	-	2,914	-	2,914
- Exercise of share options	- 行使購股權	1,764	66,184	-	67,948	-	67,948
Total transactions with owners	與擁有人交易總額	1,764	74,360	(391,399)	(315,275)	(4,241)	(319,516)
Balance at 30 September 2010	於二零一零年九月三十日	314,646	543,610	3,427,686	4,285,942	138,872	4,424,814
Balance at 1 April 2011	於二零一一年四月一日	315,005	677,318	4,048,327	5,040,650	255,213	5,295,863
Total comprehensive income for the six months ended 30 September 2011	截至二零一一年九月三十日止六個月的全面收益總額	-	112,403	814,920	927,323	18,580	945,903
Transactions with owners in their capacity as owners:	與本公司擁有人的交易：						
Dividends payable to shareholders	向股東派付的股息	-	-	(251,737)	(251,737)	-	(251,737)
Appropriations from net profit	自純利撥付	-	89	(89)	-	-	-
Capital injection to Yongzhou Shan Xiang Flavour Co., Ltd. ("Yongzhou Shanxiang")	增資擴股至永州山香香料有限公司 (「永州山香」)	-	-	-	-	14,104	14,104
Capital injection to Qingdao Qingda Product Co., Inc. ("Qingdao Qingda")	增資擴股至青島青大物產股份有限公司 (「青島青大」)	-	-	-	-	5,408	5,408
Incorporation of non-wholly owned subsidiary	成立非全資附屬公司	-	-	-	-	29,400	29,400
Employee share option scheme	僱員購股權計劃						
- Value of employee services	- 僱員服務價值	-	75	-	75	-	75
- Exercise of share options	- 行使購股權	455	19,123	-	19,578	-	19,578
Total transactions with owners	與擁有人交易總額	455	19,287	(251,826)	(232,084)	48,912	(183,172)
Balance at 30 September 2011	於二零一一年九月三十日	315,460	809,008	4,611,421	5,735,889	322,705	6,058,594

The notes on pages 35 to 63 are an integral part of this condensed consolidated interim financial information.

第35頁至63頁的附註為本簡明綜合中期財務資料的整體部份。

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2011
(All amounts in HK dollar thousands unless otherwise stated)

簡明綜合現金流量表

截至二零一一年九月三十日止六個月
(除另有指明者外，所有金額均以港幣千元列示)

		Unaudited 未經審核	
		For the six months ended 30 September	
		截至九月三十日止六個月	
		2011	2010
		二零一一年	二零一零年
Cash flows from operating activities, net	營運活動產生之淨現金	669,739	561,884
Cash flows used in investing activities, net	投資活動所用之淨現金	(211,185)	(240,028)
Cash flows from financing activities, net	融資活動產生之淨現金	64,399	53,493
Net increase in cash and cash equivalents	現金及現金等價物增加淨額	522,953	375,349
Cash and cash equivalents at 1 April	於四月一日之現金及現金等價物	1,676,410	1,678,640
Effects of exchange rate changes on cash and cash equivalents	匯率差異對現金及現金等價物的影響	58,286	41,487
Cash and cash equivalents at 30 September	於九月三十日之現金及現金等價物	2,257,649	2,095,476

The notes on pages 35 to 63 are an integral part of this condensed consolidated interim financial information.

第35頁至63頁的附註為本簡明綜合中期財務資料的整體部份。

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

1. GENERAL INFORMATION

Huabao International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are mainly engaged in the production, distribution and sale of flavours, fragrances and reconstituted tobacco leaves in the People's Republic of China (the "PRC"). Ms. Chu Lam Yiu ("Ms. Chu"), who is the Chairman of the Board of Directors, holds approximately 38% equity interest in the Company as at 30 September 2011, through six limited companies incorporated in the British Virgin Islands and solely beneficially owned by her, namely Mogul Enterprises Limited, Resourceful Link International Limited, Power Nation International Limited, Raise Sino Investments Limited, Jumbo Elite Limited and Real Elite Investments Limited, and is the single largest shareholder of the Company.

This condensed consolidated interim financial information is presented in thousands of units of HK dollars ("HKD'000") unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 22 November 2011.

This condensed consolidated interim financial information has not been audited.

簡明綜合中期財務資料附註

(除另有指明者外，所有金額均以港幣千元列示)

1. 一般資料

華寶國際控股有限公司(「本公司」)於百慕達註冊成立為獲豁免有限公司。其註冊辦事處地址為Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda。

本公司的股份主要於香港聯合交易所有限公司(「聯交所」)上市。

本公司為投資控股公司。本公司及其附屬公司(「本集團」)之業務主要在中華人民共和國(「中國」)生產、分銷及銷售香精香料和煙草薄片。朱林瑤女士(「朱女士」)乃本公司之董事局主席，於二零一一年九月三十日，透過六家於英屬處女群島註冊成立的並由朱女士唯一實益擁有的有限公司Mogul Enterprises Limited, Resourceful Link International Limited, Power Nation International Limited, Raise Sino Investments Limited, Jumbo Elite Limited及Real Elite Investments Limited, 持有本公司約38%之權益，為本公司的單一大股東。

本簡明綜合中期財務資料除另有指明者外，均以港幣千元(「港幣千元」)列示。本簡明綜合中期財務資料已於二零一一年十一月二十二日獲董事會批准刊發。

本簡明綜合中期財務資料未經審核。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Main Board of Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2011, as described in those 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) The following amendment to standard is mandatory for the first time for the financial year beginning 1 April 2011:
- Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to updated relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

2. 編製基準

本公司截至二零一一年九月三十日止六個月的簡明綜合中期財務資料已根據聯交所證券上市規則「上市規則」附錄16之適用披露規定及香港會計師公會（「香港會計師公會」）頒佈的香港會計準則（「香港會計準則」）第34號「中期財務報告」而編制。本簡明綜合中期財務資料應與本集團根據香港財務報告準則（「香港財務報告準則」）而編製的截至二零一一年三月三十一日止年度的綜合財務報表一併閱讀。

3. 會計政策

除下文所述外，編制本簡明綜合財務資料中所採用之會計政策與截至二零一一年三月三十一日止年度的年度財務報表所採用的會計政策一致，並已詳列該財務報表內。

中期所得稅乃按照預期年度的總盈利所適用之稅率予以預提。

- (a) 下列的修訂準則首次強制應用於二零一一年四月一日開始的財務年度：
- 香港會計準則第34號「中期財務報告」的修改，在二零一一年一月一日或之後開始的年度期間起生效。此修改強調香港會計準則第34號中的現有披露原則，並進一步就如何應用此等原則提供指引。更強調有關重大事件和交易的披露原則。額外披露涵蓋公允價值計量變動的披露（如重大），以及需要更新自最近期年報以來的相關資料。會計政策的變動導致額外披露。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

(b) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2011, but are not currently relevant or do not have significant impact to the Group's operations:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual periods beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government.
- Amendment to HKAS 32 "Classification of rights issues" is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.
- Amendment to HK(IFRIC) – Int 14 "Prepayments of a minimum funding requirement" is effective for annual period beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.
- HK(IFRIC) – Int 19 "Extinguishing financial liabilities with equity instruments" is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.
- Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 "Interim financial reporting" as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

3. 會計政策 (續)

(b) 下列新訂準則、準則的修訂及詮釋於二零一一年四月一日開始的財政年度首次強制應用，但現與本集團業務無關或無重大影響：

- 香港會計準則第24號(修訂)「關聯方披露」，在二零一一年一月一日或之後開始的年度期間起生效。此修改介紹香港會計準則第24號有關政府相關主體之間和與政府進行交易的所有披露規定的豁免。
- 香港會計準則第32號「配股的分類」的修改，由二零一零年二月一日或之後開始的年度期間起生效。目前不適用於本集團，因為本集團並無任何配股。
- 香港(國際財務報告詮釋委員會)一詮釋14「最低資金規定的預付款」的修改，由二零一一年一月一日或之後開始的年度期間起生效。此修改目前與本集團無關，因為本集團並無最低資金規定。
- 香港(國際財務報告詮釋委員會)一詮釋19「以權益工具取代金融負債」，由二零一零年七月一日或之後開始的年度期間起生效。此修改目前不適用於本集團，因為本集團目前並無以權益工具取代金融負債。
- 香港會計師公會在二零一零年五月公佈了第三個對香港財務報告準則(二零一零年)的年度改進計劃，除了香港會計準則第34號「中期財務報告」的修改(披露見附註3(a))，以及澄清容許在附註中按項目呈報其他全面收益組成的分析，其他的改進目前均不適用於本集團。所有改進在二零一一年財政年度生效。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

- (c) The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group:
- HKFRS 9 “Financial instruments” addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.
 - HKAS 12 (Amendment) “Deferred tax: Recovery of underlying assets”. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.
 - HKFRS 1 (Amendment) “Severe hyperinflation and removal of fixed dates for first-time adopters”, effective for annual periods beginning on or after 1 July 2011. Early adoption is permitted.
 - HKFRS 7 (Amendment) “Disclosures – Transfers of financial assets” is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.
 - HKFRS 10 “Consolidated financial statements”. HKFRS 10 replaces all of the guidance on control and consolidation in HKAS 27, “Consolidated and separate financial statements”, and HK(SIC) – 12, “Consolidation – special purpose entities”. HKAS 27 is renamed “Separate financial statements”, and it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

3. 會計政策 (續)

- (c) 已發佈但仍未生效而本集團亦無提早採納的準則、修訂及對現有準則的詮釋：
- 香港財務報告準則第9號「金融工具」針對金融資產和金融負債的分類、計量和取消確認。該準則不需在二零一三年一月一日前應用，但可提早採納。
 - 香港會計準則第12號(修改)「遞延稅項：相關資產的收回」適用於二零一二年一月一日或之後開始的年度期間起追溯應用，並容許提早採納。
 - 香港財務報告準則第1號(修訂)「嚴重高通脹及剔除首次採納者的固定日期」，於二零一一年七月一日或之後開始的年度期間生效，並容許提早採納。
 - 香港財務報告準則第7號(修改)「披露一金融資產的轉讓」適用於二零一一年七月一日或之後開始的年度期間起應用，並容許提早採納。
 - 香港財務報告準則第10號「綜合財務報表」：香港財務報告準則第10號代替香港會計準則第27號「綜合及獨立財務報表」及香港(常務詮釋委員會)第12號「綜合一特殊目的實體」中所有有關控制權和合併的指引。香港會計準則第27號更名為「獨立財務報表」，而其繼續為一項僅處理獨立財務報表的準則。有關獨立財務報表的現有指引並無更改。該準則於二零一三年一月一日或之後開始的年度期間生效，並容許提早採納。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

(c) The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group (continued):

- HKFRS 11 “Joint arrangements”. HKFRS 11 changes the definitions to reduce the types of joint arrangements to two: joint operations and joint ventures. The jointly controlled assets classification in HKAS 31, “Interests in Joint Ventures”, has been merged into joint operations, as both types of arrangements generally result in the same accounting outcome. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.
- HKFRS 12 “Disclosure of interests in other entities”. HKFRS 12 sets out the required disclosures for entities reporting under the two new standards, HKFRS 10, “Consolidated financial statements”, and HKFRS 11, “Joint arrangements”. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.
- HKFRS 13, “Fair value measurements”. HKFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. It does not say when to measure fair value or require additional fair value measurements. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.
- HKAS 1 (Amendment) “Presentation of financial statements”, effective for annual periods beginning on or after 1 July 2012. Early adoption is permitted.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

3. 會計政策 (續)

(c) 已發佈但仍未生效而本集團亦無提早採納的準則、修訂及對現有準則的詮釋 (續)：

- 香港財務報告準則第11號「合營安排」：香港財務報告準則第11號更改了定義，以將合營安排的類別減少至兩類，即合營業務及合營企業。香港會計準則第31號「於合營企業之權益」對有關共同控制資產的分類已併入至合營業務，因兩項安排一般會產生相同的會計結果。該準則於二零一三年一月一日或之後開始的年度期間生效，並容許提早採納。
- 香港財務報告準則第12號「其他實體中權益的披露」：香港財務報告準則第12號載有兩項新準則—香港財務報告準則第10號「綜合財務報表」及香港財務報告準則第11號「合營安排」規定的實體報告披露事項。該準則於二零一三年一月一日或之後開始的年度期間生效，並容許提早採納。
- 香港財務報告準則第13號「公允價值計量」：香港財務報告準則第13號解釋如何計量公允價值，旨在加強公允價值披露事項。準則並無說明於何時計量公允價值或需要另行計算公允價值。該準則於二零一三年一月一日或之後開始的年度期間生效，並容許提早採納。
- 香港會計準則第1號(修訂)「財務報表的呈列」，於二零一二年七月一日或之後開始的年度期間生效，並容許提早採納。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

(c) The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group (continued):

- HKAS 28 (as amended in 2011) "Investment in associates and joint ventures" prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.
- HKAS 19 (Amendment) "Employee benefits". The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.

Management does not anticipate that the application of the revised standards will result in a material impact on the Group's consolidated financial statements.

4. SEGMENT INFORMATION

The Group has organised its operations into three main operating segments:

- Flavours;
- Fragrances; and
- Reconstituted tobacco leaves.

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

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

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

3. 會計政策 (續)

(c) 已發佈但仍未生效而本集團亦無提早採納的準則、修訂及對現有準則的詮釋 (續)：

- 香港會計準則第28號(二零一一年修訂)「聯營公司及合營企業之投資」規定聯營及合營公司在會計上按照權益法對投資進行會計處理。該準則於二零一三年一月一日或之後開始的年度期間生效，並容許提早採納。
- 香港會計準則第19號(修訂)「員工福利」。該準則於二零一三年一月一日或之後開始的年度期間生效，並容許提早採納。

管理層預期該等修訂準則的應用不會對本集團的綜合財務報表有重大影響。

4. 分部資料

本集團的經營分為三項主要營運分部：

- 食用香精香料；
- 日用香精香料；及
- 煙草薄片。

主要經營決策者明確為執行董事(「執行董事」)，執行董事審閱本集團的內部報告以評估表現及分配資源。管理層按照此報告以決定營運分部。

執行董事從經營活動角度考慮業務及評估食用香精香料、日用香精香料及煙草薄片之分部業務表現。食用香精香料業務包括研發、生產及銷售食用香精香料產品。日用香精香料業務包括研發、生產及銷售日用香精香料產品。煙草薄片業務包括研發、生產及銷售煙草薄片產品。執行董事根據營運盈利的計量評估營運分部的表現。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

簡明綜合中期財務資料附註 (續)

(All amounts in HK dollar thousands unless otherwise stated)

(除另有指明者外，所有金額均以港幣千元列示)

4. SEGMENT INFORMATION (continued)

The segment information for the six months ended 30 September 2011 is presented below:

4. 分部資料 (續)

截至二零一一年九月三十日止六個月的分部資料呈列如下：

		Unaudited 未經審核 For the six months ended 30 September 2011 截至二零一一年九月三十日止六個月					
		Flavours	Fragrances	Reconstituted tobacco leaves	Total segments	Corporate	Total
		食用 香精香料	日用 香精香料	煙草薄片	分部總計	總部	總計
Total turnover	總營業額	1,337,890	86,937	110,769	1,535,596	-	1,535,596
Inter-segment sales	分部間銷售	(8,617)	(1,528)	-	(10,145)	-	(10,145)
Net turnover/Segment sales	淨營業額／分部收入	1,329,273	85,409	110,769	1,525,451	-	1,525,451
Segment result	分部業績	911,826	3,568	16,835	932,229	(3,392)	928,837
Finance income	財務收入						10,283
Finance costs	融資成本						(4,075)
Finance income – net	財務收入－淨額						6,208
Share of loss of associates	應佔聯營公司虧損						(61)
Profit before income tax	除稅前盈利						934,984
Income tax expense	所得稅						(111,385)
Profit for the half year	半年度盈利						823,599

		Unaudited 未經審核 As at 30 September 2011 於二零一一年九月三十日					
		Flavours	Fragrances	Reconstituted tobacco leaves	Total segments	Corporate	Total
		食用 香精香料	日用 香精香料	煙草薄片	分部總計	總部	總計
Segment assets	分部資產	5,458,865	221,642	2,166,517	7,847,024	4,361	7,851,385

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

簡明綜合中期財務資料附註 (續)

(All amounts in HK dollar thousands unless otherwise stated)

(除另有指明者外，所有金額均以港幣千元列示)

4. SEGMENT INFORMATION (continued)

The segment information for the six months ended 30 September 2010 is presented below:

4. 分部資料 (續)

截至二零一零年九月三十日止六個月的分部資料呈列如下：

		Unaudited 未經審核						
		For the six months ended 30 September 2010						
		截至二零一零年九月三十日止六個月						
		Flavours 食用 香精香料	Fragrances 日用 香精香料	Reconstituted tobacco leaves 煙草薄片	Total segments 分部總計	Corporate 總部	Total 總計	
Total turnover	總營業額	1,249,389	37,514	-	1,286,903	-	1,286,903	
Inter-segment sales	分部間銷售	(281)	(8)	-	(289)	-	(289)	
Net turnover/Segment sales	淨營業額/分部收入	1,249,108	37,506	-	1,286,614	-	1,286,614	
Segment result	分部業績	869,741	6,324	-	876,065	(6,231)	869,834	
Finance income	財務收入						13,131	
Finance costs	融資成本						(2,357)	
Finance income – net	財務收入 – 淨額						10,774	
Share of profit of associates	應佔聯營公司盈利						323	
Profit before income tax	除稅前盈利						880,931	
Income tax expense	所得稅						(116,095)	
Profit for the half year	半年度盈利						764,836	

		Unaudited 未經審核						
		As at 30 September 2010						
		於二零一零年九月三十日						
		Flavours 食用 香精香料	Fragrances 日用 香精香料	Reconstituted tobacco leaves 煙草薄片	Total segments 分部總計	Corporate 總部	Total 總計	
Segment assets	分部資產	5,445,515	190,488	-	5,636,003	84,852	5,720,855	

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Segment result represents the profit earned by each segment without inclusion of unallocated expenses, finance costs and finance income. This is the measure reported to chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

The total of non-current assets, other than financial instruments and deferred tax assets, of the Group as at 30 September 2011 and 2010 are mainly located in the PRC.

Revenues from external customers are derived from the sales of flavours, fragrances and reconstituted tobacco leaves to customers mainly located in the PRC.

Revenue derived from sales made to one single external customer amounted to 29% of the Group's total revenue. These revenues are attributable to flavours segment.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

4. 分部資料 (續)

分部業績是代表各分部之盈利，當中並沒有包括未分類支出、融資成本及財務收入。此分部業績主要是為分配資源和評估各分部之表現而向主要營運決策者呈列的方式。

除金融工具和遞延所得稅資產以外，於二零一一年及二零一零年九月三十日本集團的非流動資產總額主要位於國內。

來自外部客戶的收入主要來自銷售食用與日用香精香料及煙草薄片予國內客戶。

來源於最大外部客戶的收入佔集團總收入的29%。這些收入是由食用香精香料分部產生的。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

簡明綜合中期財務資料附註 (續)

(All amounts in HK dollar thousands unless otherwise stated)

(除另有指明者外，所有金額均以港幣千元列示)

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

5. 物業、機器及設備、土地使用權及無形資產

		Unaudited 未經審核						
	Note	Property, plant and equipment (excluding construction in progress) 物業、機器及設備(不含在建工程)	Construction in progress 在建工程	Total property, plant and equipment 物業、機器及設備總計	Land use rights 土地使用權	Goodwill 商譽	Other intangible assets 其他無形資產	Total intangible assets 無形資產總計
For the six months ended 30 September 2010	截至二零一零年九月三十日止六個月							
At 1 April 2010	於二零一零年四月一日	283,325	18,473	301,798	67,684	1,404,057	198,602	1,602,659
Acquisition of Yunnan Huaxiangyuan	收購雲南華香源	4,691	-	4,691	958	-	-	-
Additions	添置	9,966	6,207	16,173	-	-	10	10
Transfers	轉移	409	(409)	-	-	-	-	-
Disposals	出售	(238)	-	(238)	-	-	-	-
Depreciation and amortization	折舊及攤銷	13 (16,866)	-	(16,866)	(848)	-	(13,726)	(13,726)
Exchange differences	匯兌調整	4,613	337	4,950	887	22,404	1,432	23,836
At 30 September 2010	於二零一零年九月三十日	285,900	24,608	310,508	68,681	1,426,461	186,318	1,612,779
For the six months ended 30 September 2011	截至二零一一年九月三十日止六個月							
At 1 April 2011	於二零一一年四月一日	490,328	46,045	536,373	194,697	2,569,712	310,246	2,879,958
Acquisition of Yunnan Zhengbang Shengwu Jishu Co., Ltd. ("Yunnan Zhengbang")	收購雲南正邦生物技術有限公司 (「雲南正邦」)	17(a) 224	-	224	-	5,781	-	5,781
Acquisition of business	收購業務	17(b) 3,449	-	3,449	-	-	1,358	1,358
Additions	添置	26,913	92,944	119,857	-	-	852	852
Transfers	轉移	48,634	(48,634)	-	-	-	-	-
Disposals	出售	(1,523)	-	(1,523)	-	-	-	-
Depreciation and amortization	折舊及攤銷	13 (28,584)	-	(28,584)	(3,138)	-	(21,333)	(21,333)
Exchange differences	匯兌調整	13,784	1,299	15,083	5,769	62,091	9,321	71,412
At 30 September 2011	於二零一一年九月三十日	553,225	91,654	644,879	197,328	2,637,584	300,444	2,938,028

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

6. DEFERRED INCOME TAX ASSETS/LIABILITIES

The movement in the deferred income tax is as follows:

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

6. 遞延所得稅資產／負債

遞延所得稅變動如下：

				Unaudited 未經審核			
		Deferred income tax assets 遞延 所得稅資產		Deferred income tax liabilities			
				Withholding income tax on dividends expected to be remitted from group entities incorporated in the PRC 集團內 位於中國 國內的公司 預期匯出的 股息所產生之 預提所得稅		Total 總計	
		Unrealized profits arising from intra-group sales 集團內 公司間銷售 所產生的 集團內 未變現盈利		Valuation surplus of assets and recognition of intangible assets 資產評估 盈餘及無形 資產的確認			
		Note 附註					
At 1 April 2010	於二零一零年四月一日		50,544	57,870	51,000	108,870	
Recognised in the consolidated income statement	於綜合收益表確認	14	3,329	(2,668)	7,900	5,232	
Exchange differences	匯兌調整		964	406	(341)	65	
At 30 September 2010	於二零一零年九月三十日		54,837	55,608	58,559	114,167	
At 1 April 2011	於二零一一年四月一日		42,800	73,443	29,387	102,830	
Recognised in the consolidated income statement	於綜合收益表確認	14	381	(2,421)	(29,066)	(31,487)	
Exchange differences	匯兌調整		1,358	1,629	(321)	1,308	
At 30 September 2011	於二零一一年九月三十日		44,539	72,651	-	72,651	

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

6. DEFERRED INCOME TAX ASSETS/LIABILITIES (continued)

Deferred income tax assets are recognised for temporary differences arising from the unrealized profits from intra-group sales, and calculated under the liability method using the tax rates which are enacted or substantively enacted by the end of the reporting period.

Deferred income tax liabilities are arisen from the valuation surplus of property, plant and equipment, land use rights and intangible assets, and recognition of intangible assets as a result of acquisition of subsidiaries; and withholding income tax on dividends expected to be remitted abroad by group entities incorporated in the PRC.

Pursuant to the Corporate Income Tax Laws of the PRC approved by the National People's Congress on 16 March 2007, a 10% withholding tax is levied on dividends remitted from the PRC entities to overseas investors with effect from 1 January 2008. A lower withholding tax rate of 5% is applied to Hong Kong investors as there is a tax treaty arrangement between the PRC and Hong Kong. Deferred income tax liabilities are provided based on 5% of the estimated profits to be remitted to Hong Kong. The directors of the Company will review the fund requirements of the Group from time to time and revise the dividend distribution policy of its subsidiaries as appropriate.

As at 30 September 2011, deferred income tax liabilities of HKD141,313,000 (31 March 2011: HKD91,493,000) have not been recognised for the withholding tax that would be payable on the unremitted profits of certain PRC subsidiaries.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

6. 遞延所得稅資產／負債 (續)

集團內公司間銷售所產生的集團內未變現盈利確認為遞延所得稅資產，其金額以負債法按結算日已生效或已實質生效的稅率計算暫時性差額確定。

遞延所得稅負債乃由於本公司收購附屬公司所導致之物業、機器及設備、土地使用權和無形資產的評估盈餘及無形資產的確認而產生，及集團內於中國註冊成立的公司預期匯出境外的股息所產生之預提所得稅。

根據全國人民代表大會於二零零七年三月十六日通過的中國企業所得稅法，由二零零八年一月一日起，中國企業向外商投資企業分派股息，需按10%之稅率徵收所得稅。基於中國及香港有特別稅務協定，故中國企業向香港投資企業分派股息，可享有較優惠的稅率5%徵收。遞延所得稅負債乃按預計匯出香港之盈利以5%的稅率計算。本公司董事將不時檢討本集團之資金需求並適時調整附屬公司之股息政策。

於二零一一年九月三十日，本集團並未就若干中國大陸附屬公司之未匯出盈利須予支付的預提所得稅確認遞延所得稅負債港幣141,313,000元（二零一一年三月三十一日：港幣91,493,000元）。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

簡明綜合中期財務資料附註 (續)

(All amounts in HK dollar thousands unless otherwise stated)

(除另有指明者外，所有金額均以港幣千元列示)

7. TRADE AND OTHER RECEIVABLES

7. 貿易及其他應收款項

		Note	As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
Trade receivables	貿易應收款項	7(b)	660,493	653,504
Less: Provision for impairment of receivables	減：應收款項減值撥備		(3,520)	(3,407)
Trade receivables – net	貿易應收款項 – 淨額		656,973	650,097
Notes receivable	應收票據		129,717	175,304
Prepayments and other receivables	預付款項及其他應收款項	7(c)	294,051	192,139
Advances to staff	員工墊款		3,591	3,519
Others	其他		10,768	9,506
			1,095,100	1,030,565

- (a) Except for prepayment of HKD103,399,000 (31 March 2011: HKD32,598,000), the Group's trade and other receivables balances are financial assets categorized under "loans and receivables". All trade and other receivables are either repayable within one year or on demand. Accordingly, the fair values of the trade and other receivables approximate to their carrying values.
- (b) The credit period generally granted to customers ranges from 0 to 180 days. At 30 September 2011 and 31 March 2011, the ageing analysis of the trade receivables (including amounts due from related parties which are trade in nature) based on invoice date were as follows:

- (a) 除預付賬款港幣103,399,000元(二零一一年三月三十一日：港幣32,598,000元)外，本集團之貿易及其他應收款項分類為「貸款和應收款項」。所有貿易及其他應收項乃於一年內或於通知時清還。故貿易及其他應收款項賬面值與公允值相若。
- (b) 授予客戶的信貸期一般為0至180日。於二零一一年九月三十日及二零一一年三月三十一日，貿易應收款項(包括關聯人士的貿易應收款項)根據發票日期的賬齡分析如下：

		As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
0 – 90 days	0至90日	581,463	592,568
91 – 180 days	91至180日	42,748	39,637
181 – 360 days	181至360日	24,403	10,863
Over 360 days	360日以上	11,879	10,436
		660,493	653,504

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES (continued)

- (c) This amount included approximately HKD146,579,000 (31 March 2011: HKD135,623,000) of receivable due from the former shareholder of the Guangdong Province Jinye Reconstituted Tobacco Leaves Technology Development Company Limited and its subsidiaries and affiliated ("Guangdong Jinye Group").

8. SHARE CAPITAL

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

7. 貿易及其他應收款項 (續)

- (c) 此金額包括應收廣東省金葉煙草薄片技術開發有限公司及其附屬公司及聯營公司(「廣東金葉集團」)之前股東約港幣146,579,000元(二零一一年三月三十一日：港幣135,623,000元)。

8. 股本

		Unaudited 未經審核	
		Ordinary shares of HKD0.10 each 每股面值港幣0.10元之普通股	
	Note 附註	Number of shares 股份數目	HKD'000 港幣千元
Authorized:	法定：		
At 1 April 2010, 30 September 2010, 1 April 2011 and 30 September 2011	於二零一零年四月一日、 二零一零年九月三十日、 二零一一年四月一日及 二零一一年九月三十日	5,000,000,000	500,000
Issued and fully paid:	已發行及繳足：		
At 1 April 2010	於二零一零年四月一日	3,128,820,961	312,882
Exercise of share options	行使購股權	9 17,643,000	1,764
At 30 September 2010	於二零一零年九月三十日	3,146,463,961	314,646
At 1 April 2011	於二零一一年四月一日	3,150,050,961	315,005
Exercise of share options	行使購股權	9 4,550,000	455
At 30 September 2011	於二零一一年九月三十日	3,154,600,961	315,460

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

9. SHARE OPTION SCHEME

On 10 October 2006 and 25 October 2006, the Group granted 97,200,000 and 30,400,000 share options with an exercise price of HKD3.09 per share and vesting periods of 0 to 3 years to employees and directors respectively. On 17 October 2007, the Group granted 13,900,000 and 3,600,000 share options with an exercise price of HKD6.65 per share and vesting periods of 0.5 to 3 years to employees and a director respectively. On 14 April 2008, the Group granted 10,400,000 share options to two directors with an exercise price of HKD6.39 per share and vesting periods of 0 to 3 years. The options have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash. The fair value of the share options was determined using the Black-Scholes valuation model. Share option compensation expense recognised in the condensed consolidated interim income statement is shown in note 13.

Movement in the number of share options outstanding during the half year and their related weighted average exercise prices are as follows:

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

9. 購股權計劃

於二零零六年十月十日及二零零六年十月二十五日，本集團分別授出97,200,000及30,400,000股購股權，行使價為每股港幣3.09元及歸屬期為零至三年，予現有僱員及董事。及於二零零七年十月十七日，本集團分別授出13,900,000及3,600,000股購股權，行使價為每股港幣6.65元及歸屬期為半年至三年，予現有僱員及一名董事。及於二零零八年四月十四日，本集團授予現有兩名董事10,400,000股購股權，行使價為每股港幣6.39元及歸屬期為零至三年。合同規定購股權的期限為十年。本集團無法律義務或合同回購及以現金支付購股權。購股權的公允價值由Black-Scholes評估模型確認。在簡明綜合中期收益表裏確認的購股權報酬費用列於附註13。

於半年度內，未行使的購股權數目之變動及其相關之加權平均行使價列示如下：

		Unaudited 未經審核			
		For the six months ended 30 September 截至九月三十日止六個月			
		2011 二零一一年		2010 二零一零年	
	Note 附註	Weighted average exercise price in HKD per share 加權平均 行使價港元 (每股計)	Number of share options (‘000) 購股權數目 (股數 以千計)	Weighted average exercise price in HKD per share 加權平均 行使價港元 (每股計)	Number of share options (‘000) 購股權數目 (股數 以千計)
Beginning of the period	期初	4.85	40,790	4.57	62,220
Exercised	已行使	4.30	(4,550)	3.85	(17,643)
Forfeited	失效	-	-	3.09	(200)
End of the period	期終	4.92	36,240	4.86	44,377

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

9. SHARE OPTION SCHEME (continued)

(a) The weighted average share price immediately before the share option exercised dates was HKD10.75 (30 September 2010: HKD9.80) per share.

(b) These represented share options forfeited due to resignation of employees.

Share options outstanding as at 30 September 2011 are analysed as follows:

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

9. 購股權計劃 (續)

(a) 緊接購股權行使日期之前的加權平均收市價為每股港幣10.75元(二零一零年九月三十日：港幣9.80元)。

(b) 購股權失效是由於員工離職。

於二零一一年九月三十日未行使購股權之分析如下：

Grantee	被授予人	Unaudited 未經審核		
		Exercise price in HKD per share 行使價港元 (每股計)	Number of share options ('000) 購股權數目 (股數以千計)	Expiry Date 失效日期
Directors	董事	3.09	9,250	24 October 2016 二零一六年十月二十四日
		6.65	2,600	16 October 2017 二零一七年十月十六日
		6.39	10,400	13 April 2018 二零一八年四月十三日
Employees	僱員	3.09	7,600	9 October 2016 二零一六年十月九日
		6.65	6,390	16 October 2017 二零一七年十月十六日
At 30 September 2011		於二零一一年九月三十日	36,240	

All (31 March 2011: 38,190,000) share options outstanding as at 30 September 2011 are currently exercisable.

於二零一一年九月三十日，所有未行使的(二零一一年三月三十一日：38,190,000)購股權於現在可予行使。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

簡明綜合中期財務資料附註 (續)

(All amounts in HK dollar thousands unless otherwise stated)

(除另有指明者外，所有金額均以港幣千元列示)

10. RESERVES

10. 儲備

		Unaudited 未經審核							
		Contributed surplus	Merger reserve	Share premium	Capital reserve	Share-based compensation reserve	Exchange reserve	Other reserves	Total
		實繳盈餘	合併儲備	股份溢價	資本儲備	以股份為基礎的酬金儲備	換算儲備	其他儲備	總計
At 1 April 2010	於二零一零年四月一日	288,191	(617,160)	304,630	1,677	60,519	240,365	132,181	410,403
Appropriations from net profit	自純利撥付	-	-	-	-	-	-	5,262	5,262
Employee share option scheme	僱員購股權計劃								
- Value of employee services	- 僱員服務價值	-	-	-	-	2,914	-	-	2,914
- Exercise of share option	- 行使購股權	-	-	78,474	-	(12,290)	-	-	66,184
Exchange differences	匯兌調整	-	-	-	-	-	58,847	-	58,847
At 30 September 2010	於二零一零年九月三十日	288,191	(617,160)	383,104	1,677	51,143	299,212	137,443	543,610
At 1 April 2011	於二零一一年四月一日	288,191	(617,160)	405,162	1,677	47,737	408,809	142,902	677,318
Fair value gains on available-for-sale financial assets	可供出售金融資產公允值淨收益	-	-	-	-	-	-	814	814
Appropriations from net profit	自純利撥付	-	-	-	-	-	-	89	89
Employee share option scheme	僱員購股權計劃								
- Value of employee services	- 僱員服務價值	-	-	-	-	75	-	-	75
- Exercise of share option	- 行使購股權	-	-	22,783	-	(3,660)	-	-	19,123
Exchange differences	匯兌調整	-	-	-	-	-	111,589	-	111,589
At 30 September 2011	於二零一一年九月三十日	288,191	(617,160)	427,945	1,677	44,152	520,398	143,805	809,008

11. BORROWINGS

11. 貸款

		Note 附註	As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
Non-current	非流動			
- Secured	- 有抵押	11(a)	3,679	3,562
Current	流動			
- Unsecured	- 無抵押	11(b)	740,000	740,000
Total borrowings	總貸款		743,679	743,562

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

11. BORROWINGS (continued)

Movement in borrowings is analysed as follows:

		Unaudited 未經審核 For the six months ended 30 September 截至九月三十日止六個月	
		2011 二零一一年	2010 二零一零年
Opening balance as at 1 April	於四月一日期初結餘	743,562	250,236
Acquisition of Yunnan Huaxiangyuan	收購雲南華香源	-	3,427
Exchange differences	匯兌差額	117	234
Closing balance as at 30 September	於九月三十日期末結餘	743,679	253,897

- (a) The bank loan is secured by a pledge of land and buildings located in Yunnan provinces owned by the subsidiary, Yunnan Huaxiangyuan. The loans are denominated in RMB and are repayable by March 2013. During the period, the average interest rate is 7.18% per annum.
- (b) The unsecured bank loans are denominated in HKD and are repayable within one year. During the period, the average interest rate is 1.49% per annum.

The carrying amounts of the Group's borrowings approximate their fair values.

Interest expense on bank borrowings for the six months ended 30 September 2011 amounted to HKD5,634,000 (2010: HKD2,355,000).

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

11. 貸款 (續)

貸款變動情況分析如下：

		Unaudited 未經審核 For the six months ended 30 September 截至九月三十日止六個月	
		2011 二零一一年	2010 二零一零年
Opening balance as at 1 April	於四月一日期初結餘	743,562	250,236
Acquisition of Yunnan Huaxiangyuan	收購雲南華香源	-	3,427
Exchange differences	匯兌差額	117	234
Closing balance as at 30 September	於九月三十日期末結餘	743,679	253,897

- (a) 有抵押銀行貸款乃由附屬公司雲南華香源所持有的位於雲南省的土地及樓宇作為抵押。該貸款以人民幣為單位並需於二零一三年三月前清還。於期內，該貸款平均利息為每年7.18厘。
- (b) 無抵押銀行貸款以港幣為單位，並需於一年內到期償還。於期內，該貸款平均利息為每年1.49厘。

貸款的賬面值與公允值相近。

截至二零一一年九月三十日止六個月的銀行貸款利息開支為港幣5,634,000元（二零一零年：2,355,000元）。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

12. TRADE AND OTHER PAYABLES

		Note	As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
Trade payables	貿易應付款項	12(a)	291,715	303,913
Non-trade payables to related parties	非貿易應付關聯人士款項	19(c)	123,985	123,985
Dividends payable	應付股息	12(b)	273,155	20,735
Wages payable	應付工資		14,220	11,984
Other taxes payable	其他應付稅項		20,504	51,350
Accrued expenses	應計開支		9,168	8,995
Advance from customers	客戶預付款		3,175	4,122
Other payables	其他應付款項	12(c)	164,059	163,192
			899,981	688,276

Except for other taxes payable of HKD20,504,000 and advances from customers of HKD3,175,000, trade and other payables balances are financial liabilities categorized under "financial liabilities measured at amortized cost". The fair values of trade and other payables approximate their carrying values.

- (a) As at 30 September 2011 and 31 March 2011, the ageing analysis of the trade payables (including amounts due to related parties which are trade in nature) based on invoice date were as follows:

		As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
0 – 90 days	0至90日	226,804	211,891
91 – 180 days	91至180日	33,060	62,177
181 – 360 days	181至360日	8,919	7,664
Over 360 days	360日以上	22,932	22,181
		291,715	303,913

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

12. 貿易及其他應付款項

除其他應付稅款港幣20,504,000元及客戶預付款港幣3,175,000元外，貿易及其他應付款被分類為「按攤銷成本計量的金融負債」。貿易及其他應付款項的公允價值與其賬面值相若。

- (a) 於二零一一年九月三十日及二零一一年三月三十一日，貿易應付款項（包括關聯人士的貿易應付款項）根據發票日期的賬齡分析如下：

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

12. TRADE AND OTHER PAYABLES (continued)

(b) Dividends payable

It represents:

- (i) final dividend of the Company for the year ended 31 March 2011; and
 - (ii) dividend payable to a non-controlling shareholder.
- (c) This amount included approximately HKD151,146,000 (31 March 2011: HKD140,530,000) of payable due to the former shareholder of the Guangdong Jinye Group.

13. EXPENSES BY NATURE

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

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

12. 貿易及其他應付款項 (續)

(b) 應付股息

乃指：

- (i) 本公司截至二零一一年三月三十一日止年度之末期股息；及
 - (ii) 向一名非控制性股東派付的股息。
- (c) 此金額包括應付款予廣東金葉集團之前股東約港幣151,146,000元 (二零一一年三月三十一日：港幣140,530,000元)。

13. 按性質分類的開支

費用包括銷售成本、銷售及市場推廣開支及行政費用，分析如下：

		Unaudited 未經審核		
		For the six months ended 30 September		
		截至九月三十日止六個月		
		Note 附註	2011 二零一一年	2010 二零一零年
Depreciation, excluding amounts included in research and development	折舊 (不包括計入研究及發展的金額)	5	23,788	13,869
Amortization	攤銷	5	24,471	14,574
Employee benefit expenses, excluding share option compensation expenses and amounts included in research and development	僱員福利開支 (不包括購股權報酬費用及計入研究及發展的金額)		63,715	52,897
Lease rentals	租金		5,927	3,940
Travelling expenses	差旅開支		14,249	11,219
Entertainment expenses	應酬開支		10,708	7,712
Share option compensation expenses	購股權報酬費用		75	2,914
Research and development	研究及發展			
– Employee benefit expenses	– 僱員福利開支		25,816	16,543
– Depreciation	– 折舊	5	4,796	2,997
– Others	– 其他		51,152	23,107

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

14. INCOME TAX EXPENSE

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

14. 所得稅

		Unaudited 未經審核	
		For the six months ended 30 September	
		截至九月三十日止六個月	
		2011	2010
		二零一一年	二零一零年
	Note 附註		
Current income tax:	即期稅項		
– Hong Kong profits tax	– 香港所得稅	14(a) 6,468	8,610
– PRC corporate income tax	– 中國企業所得稅	14(b) 136,206	105,582
– Botswana company income tax	– 博茨瓦納企業所得稅	14(c) 579	–
Deferred income tax assets	遞延所得稅資產	6 (381)	(3,329)
Deferred income tax liabilities	遞延所得稅負債	6 (31,487)	5,232
		111,385	116,095

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period.
- (b) PRC corporate income tax has been calculated on the estimated assessable profit for the period at the tax rates applicable to respective companies of the Group.
- (c) Botswana company income tax has been provided at the rate of 15% on the estimated assessable profit for the period.

- (a) 香港所得稅按本期間估計應課稅盈利以稅率16.5% (二零一零年：16.5%) 撥備。
- (b) 中國企業所得稅撥備按本集團在中國企業於本期間估計應課稅盈利以其適用的稅率而定。
- (c) 博茨瓦納企業所得稅按本期間估計應課稅盈利以稅率15%撥備。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

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.

		Unaudited 未經審核	
		For the six months ended 30 September 截至九月三十日止六個月	
		2011 二零一一年	2010 二零一零年
Profit attributable to equity holders of the Company	本公司權益持有人應佔盈利	814,920	752,266
Weighted average number of ordinary shares in issue ('000)	已發行之普通股之加權平均數 (千計)	3,152,630	3,141,665
Basic earnings per share (HK cents per share)	每股基本盈利 (每股港仙)	25.85	23.94

(b) Diluted

Diluted earnings per share is calculated based on the weighted average number of ordinary shares outstanding, assuming that all dilutive potential ordinary shares have been converted. For the six months ended 30 September 2011, the Company has one type of dilutive potential ordinary shares, i.e. share options.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

15. 每股盈利

(a) 基本

每股基本盈利乃根據本期間本公司權益持有人應佔盈利，除以期內已發行普通股的加權平均數目計算。

(b) 攤薄

每股攤薄盈利假設所有可攤薄的潛在普通股被轉換後，根據已發行普通股的加權平均股數計算。在截至二零一一年九月三十日止六個月，本公司有一類可攤薄的潛在普通股，即購股權。

至於購股權，根據未行使購股權所附的認股權的貨幣價值，釐定按公允價值（釐定為本公司股份的平均年度市價）可購入的股份數目。按以上方式計算的股份數目，與假設購股權行使而應已發行的股份數目作出比較。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

簡明綜合中期財務資料附註 (續)

(All amounts in HK dollar thousands unless otherwise stated)

(除另有指明者外，所有金額均以港幣千元列示)

15. EARNINGS PER SHARE (continued)

15. 每股盈利 (續)

(b) Diluted (continued)

(b) 攤薄 (續)

		Unaudited 未經審核 For the six months ended 30 September 截至九月三十日止六個月	
		2011 二零一一年	2010 二零一零年
Profit attributable to equity holders of the Company	本公司權益持有人應佔盈利	814,920	752,266
Weighted average number of ordinary shares used to calculate basic earnings per share ('000)	用以確定每股基本盈利的普通股的加權平均數 (千計)	3,152,630	3,141,665
Adjustment for: – exercise of share options ('000)	調整： – 行使購股權 (千計)	16,555	26,276
Weighted average number of ordinary shares for diluted earnings per share ('000)	每股攤薄盈利的普通股的加權平均數 (千計)	3,169,185	3,167,941
Diluted earnings per share (HK cents per share)	每股攤薄盈利 (每股港仙)	25.71	23.75

16. DIVIDENDS

The interim dividend for the six months ended 30 September 2011 declared after the closing date amounts to HK7.80 cents (2010: HK7.20 cents) per share, HKD246,059,000 (2010: HKD226,545,000) in aggregate, together with a special dividend of HK5.18 cents (2010: nil) per share, HKD163,408,000 (2010: nil) in aggregate. As the interim and special dividends are declared after the closing date, they are not recognised as dividend payable as at 30 September 2011.

16. 股息

於結算日後宣派截至二零一一年九月三十日止六個月的中期股息，每股港幣7.80仙 (二零一零年：港幣7.20仙)，合計港幣246,059,000元 (二零一零年：港幣226,545,000元)，及特別股息每股港幣5.18仙 (二零一零年：無)，合計港幣163,408,000元 (二零一零年：無)。由於中期及特別股息乃於結算日後宣派，因此並未確認於二零一一年九月三十日的應付股息內。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

17. BUSINESS COMBINATIONS

(a) Acquisition of Yunnan Zhengbang

On 25 June 2011, Huabao Food Flavours & Fragrances (Shanghai) Co., Ltd., a wholly owned subsidiary of the Company, entered into an agreement with independent third parties to acquire 100% equity interests in Yunnan Zhengbang, a company incorporated in the PRC, at a cash consideration of approximately HKD6,926,000.

Yunnan Zhengbang is principally engaged in the research and development, consulting and sale of new material for cigarettes in the PRC. The acquisition was completed on 1 July 2011 and Yunnan Zhengbang became a subsidiary of the Group.

The acquired business contributed revenue of HKD17,000 and net loss after tax of HKD375,000 to the Group for the period from date of acquisition to 30 September 2011.

If the acquisition had occurred on 1 April 2011, the consolidated revenue would have been increased by approximately HKD1,005,000 and the consolidated net profit after tax would have been decreased by approximately HKD835,000 and hence the consolidated income statement for the six months ended 30 September 2011 would show the consolidated revenue of HKD1,526,456,000 and consolidated net profit after tax of HKD822,764,000.

Details of net assets acquired and goodwill are as follows:

		Total 合計
Purchase consideration – cash paid	收購代價—現金支付	6,926
Fair value of identifiable net assets acquired – shown below	收購可辨認淨資產之公允價值—詳列下文	(1,145)
Goodwill	商譽	5,781

None of the goodwill recognised is expected to be deductible for income tax purposes.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

17. 業務合併

(a) 收購雲南正邦

在二零一一年六月二十五日，本公司之全資附屬公司，華寶食用香精香料(上海)有限公司，與獨立第三方簽署協議，以現金收購代價約港幣6,926,000元收購一間於中國成立的公司，雲南正邦的100%權益。

雲南正邦主要在中國從事研發、諮詢及銷售卷煙新材料。該收購已於二零一一年七月一日完成而雲南正邦已成為本集團之附屬公司。

該業務自收購日至二零一一年九月三十日止，已為本集團帶來約港幣17,000元的銷售收入及約港幣375,000元的除稅後虧損。

如該收購自二零一一年四月一日發生，本集團之綜合銷售收入將增加約港幣1,005,000元和綜合稅後盈利將減少約港幣835,000元，而在截至二零一一年九月三十日止六個月之綜合收益表亦將會顯示綜合銷售收入約港幣1,526,456,000元和綜合稅後盈利約港幣822,764,000元。

收購產生之淨資產及商譽詳情如下：

已確認的商譽預期不可扣減稅項。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

簡明綜合中期財務資料附註 (續)

(All amounts in HK dollar thousands unless otherwise stated)

(除另有指明者外，所有金額均以港幣千元列示)

17. BUSINESS COMBINATIONS (continued)

17. 業務合併 (續)

(a) Acquisition of Yunnan Zhengbang (continued)

The fair value of assets and liabilities as at the acquisition date arising from the acquisition are as follows:

(a) 收購雲南正邦 (續)

於收購日，因收購而產生之資產及負債的公允價值如下：

		Unaudited 未經審核 Fair value 公允價值
Net assets acquired	收購之資產淨值	
Long-term deferred expenses	長期待攤費用	4
Property, plant and equipment	物業、機器及設備	224
Inventories	存貨	195
Trade and other receivable	貿易及其他應收款項	336
Cash and cash equivalents	現金及現金等價物	853
Trade and other payables	貿易及其他應付款項	(432)
Tax payable	應付稅項	(35)
		<hr/>
Net assets acquired	收購資產淨值	1,145
		<hr/>
Outflow of cash to acquire business, net of cash acquired	收購業務之現金流出 (扣除收購之淨現金)	
Cash consideration paid	以現金支付收購代價	6,926
Cash and cash equivalents in the subsidiary acquired	收購附屬公司內的現金及 現金等價物	(853)
		<hr/>
Net cash outflow on acquisition	收購的淨現金流出	6,073

The gross contractual amount for trade receivables approximates its fair value.

貿易應收款項總合約額與公允價值相若。

(b) Acquisition of business

Yongzhou Shanxiang, a subsidiary of the Company, was newly set up in March 2011. In April 2011, it entered into agreements with Hunan Xiangnong Shanxiang Grease Flavor Co., Ltd. to acquire a group of assets which consisted of patents, property, plant and equipment and inventories, at a consideration of approximately HKD33,786,000. The directors consider these acquisitions of assets constitute a business combination.

(b) 收購業務

於二零一一年三月，本公司新成立一間附屬公司，永州山香。於二零一一年四月，永州山香與湖南湘農山香油脂香料有限公司簽署協議，以代價約港幣33,786,000元向其收購包括專利、物業、機器及設備和存貨。董事認為該等收購的資產構成一項業務收購。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

17. BUSINESS COMBINATIONS (continued)

(b) Acquisition of business (continued)

The fair value of assets as at the acquisition date is as follows:

		Unaudited 未經審核 Fair value 公允價值
Net assets acquired	收購之資產淨值	
Patents	專利	1,358
Property, plant and equipment	物業、機器及設備	3,449
Inventories	存貨	28,979
Net assets acquired	收購之資產淨值	33,786
Total consideration, satisfied by cash	總現金代價	33,786

18. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the closing date but not yet incurred is as follows:

		As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
Property, plant and equipment	物業、機器及設備：		
Contracted but not provided for	已簽約但未撥備	427,296	74,716

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

17. 業務合併 (續)

(b) 收購業務 (續)

於收購日，該資產的公允價值如下：

18. 承擔

(a) 資本承擔

結算日已簽約但仍未產生的資本開支如下：

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

18. COMMITMENTS (continued)

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases at the closing date are as follows:

		As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
Land and buildings:	土地及樓宇：		
Not later than 1 year	不超過一年	6,121	8,178
Later than 1 year and not later than 5 years	超過一年但不超過五年	3,020	4,828
		9,141	13,006

19. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name 名稱	Relationship 關係
Ms. Chu 朱女士	The single largest shareholder of the Company 本公司的第一大股東
Owada International Flavors & Fragrances (Guangzhou) Limited ("Owada International") 澳華達國際香料(廣州)有限公司 (「澳華達國際」)	A company controlled by Ms. Chu 受朱女士控制
Henan Jinrui Flavours Co. Limited ("Henan Jinrui") 河南金瑞香精香料有限公司(「河南金瑞」)	An associate indirectly held by the Company 本公司間接持有的聯營公司

簡明綜合中期財務資料附註(續)

(除另有指明者外，所有金額均以港幣千元列示)

18. 承擔(續)

(b) 營運租賃承擔

於結算日根據不可撤銷營運租賃，未來最低租賃付款總額如下：

19. 關聯人士交易

(a) 關聯人士名稱與關係

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

簡明綜合中期財務資料附註 (續)

(All amounts in HK dollar thousands unless otherwise stated)

(除另有指明者外，所有金額均以港幣千元列示)

19. RELATED PARTY TRANSACTIONS (continued)

19. 關聯人士交易 (續)

(b) Transactions with related parties

The Group entered into the following significant transactions with related parties:

(b) 與關聯人士的交易

本集團與關聯人士進行下列重大交易：

		Unaudited 未經審核 For the six months ended 30 September 截至九月三十日止六個月	
		2011 二零一一年	2010 二零一零年
Sales of goods, net of value-added tax, to:	銷售貨品，除增值稅後，予：		
– Henan Jinrui	– 河南金瑞	–	363

(c) Balances with related parties

(c) 關聯人士結餘

		As at 30 September 2011 於二零一一年 九月三十日 Unaudited 未經審核	As at 31 March 2011 於二零一一年 三月三十一日 Audited 經審核
		Note 附註	
Balances due from related parties:	應收關聯人士結餘：		
Included in trade receivables	計入貿易應收款項	26	1,394
Included in trade and other receivables – others (dividend receivable)	計入貿易及其他應收款項 – 其他（應收股息）	1,726	1,695
Henan Jinrui	河南金瑞	1,752	3,089
Balances due to related parties:	應付關聯人士結餘：		
Included in trade payables – Owada International	計入貿易應付款項 – 澳華達國際	14,779	14,308
Included in non-trade payables – Ms. Chu	計入應付非貿易款項 – 朱女士	12	123,985

All the balances with related parties were unsecured, interest-free and repayable on demand.

所有關聯人士結餘均為無抵押、免息及須於通知時清還。

Notes to the Condensed Consolidated Interim Financial Information (cont'd)

(All amounts in HK dollar thousands unless otherwise stated)

20. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Capital injection in Qingdao Qingda

In August 2011, Guangzhou Huabao Flavours & Fragrances Company Limited, a wholly owned subsidiary of the Company, acquired additional 24% equity interests in Qingdao Qingda by way of capital injection in cash of approximately HKD28,162,000. The increased interests were determined by the net assets value of Qingdao Qingda on the acquisition date. As a result of this capital injection, there is no effect on the Group's equity attributable to owners of the Company. The amount and shareholding of non-controlling interest in Qingdao Qingda is remained as the same and decreased from 49% to 25%, respectively.

(b) Capital injection in Yongzhou Shanxiang

In April 2011, Shanghai H&K Flavours & Fragrances Co., Ltd. ("Huabao Kongque") entered into an agreement with independent third parties to inject additional capital into Yongzhou Shanxiang at a cash consideration of approximately HKD27,594,000 and HKD14,104,000 by Huabao Kongque and the independent third parties respectively. After the capital injection, there is no effect on the Group's equity attributable to owners of the Company. The equity interests of Yongzhou Shanxiang held by Huabao Kongque was decreased from 100% to 67.14%, while the non-controlling interests that was created amounted to 32.86%.

簡明綜合中期財務資料附註 (續)

(除另有指明者外，所有金額均以港幣千元列示)

20. 附屬公司所有者權益的變動 (不改變控制權)

(a) 注資至青島青大

在二零一一年八月，本公司之全資附屬公司，廣州華寶香精香料有限公司用現金約港幣28,162,000元以增資擴股形式增購青島青大額外24%權益。該額外權益乃按收購日以青島青大的資產淨值而確定，故本集團的本公司權益持有人之應佔權益於此增資擴股後並無影響。非控制性股東於青島青大的權益金額及股權分別為維持不變和由49%減至25%。

(b) 注資至永州山香

在二零一一年四月，上海華寶孔雀香精香料有限公司(「華寶孔雀」)與獨立第三方簽署協議，華寶孔雀及獨立第三方分別以現金代價約港幣27,594,000元及港幣14,104,000元注資至永州山香。於增資擴股後，本集團的本公司權益持有人之應佔權益並無影響。華寶孔雀持有永州山香的權益由100%減至67.14%，並產生非控制性權益為32.86%。

Glossary

ACIS	Associate Member of The Institute of Chartered Secretaries and Administrators
ACS	Associate Member of The Hong Kong Institute of Chartered Secretaries
Board	Board of the Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CG Code	Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
China or Mainland	Mainland of the PRC
China Tobacco Guangdong	China Tobacco Guangdong Industrial Co., Ltd.
Company or Huabao Director(s)	Huabao International Holdings Limited Director(s) of the Company
EPS	Earnings per share
FCCA	Fellow Member of Association of Chartered Certified Accountants
FCPA	Fellow Member of Hong Kong Institute of Certified Public Accountants
Group or Huabao Group	the Company and its subsidiaries
Guangdong Jinke	Guangdong Jinke Reconstituted Tobacco Leaves Co., Ltd.
Guangdong Jinye	Guangdong Province Jinye Reconstituted Tobacco Leaves Technology Development Co., Ltd.
Guangdong Jinye Group	Guangdong Jinye and its subsidiaries and affiliated companies
Guangzhou Huafang	Hua Fang Tobacco Flavors Ltd.
HKD	Hong Kong dollars
Hong Kong or HKSAR	Hong Kong Special Administrative Region of the People's Republic of China
Huabao Shanghai	Huabao Food Flavours & Fragrances (Shanghai) Co Ltd
INED(s)	Independent Non-executive Director(s) of the Company
KPI	key performance indicator
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
M&A(s)	Merger and acquisition
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
PRC	The People's Republic of China
R&D	Research and development
RMB	Renminbi
RTL	Reconstituted tobacco leaves
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance of the Laws of HKSAR
Share(s)	Ordinary share(s) of HKD0.10 each of the Company
Shareholder(s)	Shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Wuxi Huahai	Wuxi Hua Hai Flavour Co Ltd
Xiamen Amber	Xiamen Amber Perfumery Co., Ltd
Yongzhou Shanxiang	Yongzhou Shan Xiang Flavour Co., Ltd
Yunnan Huaxiangyuan	Yunnan Hua Xiang Yuan Flavours Limited
Yunnan Zhengbang	Yunnan Zhengbang Shengwu Jishu Co., Ltd.

詞彙

ACIS	英國特許秘書及行政人員公會會員
ACS	香港特許秘書公會會員
董事會	本公司的董事會
CEO	總裁
CFO	財務總監
企業管治守則	香港聯合交易所有限公司證券上市規則附錄14所列的企業管治常規守則
中國或內地	中華人民共和國境內
廣東中煙	廣東中煙工業有限責任公司
本公司或華寶董事	華寶國際控股有限公司本公司董事
EPS	每股盈利
FCCA	英國特許公認會計師公會資深會員
FCPA	資深會計師
本集團或華寶集團	本公司及其附屬公司
廣東金科	廣東金科再造煙葉有限公司
廣東金葉	廣東省金葉煙草薄片技術開發有限公司
廣東金葉集團	廣東金葉及其附屬公司及聯營公司
廣州華芳	華芳煙用香料有限公司
HKD	港幣
香港	中華人民共和國香港特別行政區
華寶上海	華寶食用香精香料(上海)有限公司
獨立非執行董事	本公司之獨立非執行董事
KPI	關鍵績效指標
上市規則	香港聯合交易所有限公司證券上市規則
併購	兼併與收購
標準守則	上市發行人董事進行證券交易的標準守則
中國	中華人民共和國
研發	研究及發展
人民幣	人民幣，中國法定貨幣
煙草薄片	煙草薄片
證監會	證券及期貨事務監察委員會
證券及期貨條例	證券及期貨條例
普通股	本公司股本中每股面值港幣0.10元的普通股
股東	本公司之股東
聯交所	香港聯合交易所有限公司
無錫華海	無錫華海香料有限公司
廈門琥珀	廈門琥珀香料有限公司
永州山香	永州山香香料有限公司
雲南華香源	雲南華香源香料有限公司
雲南正邦	雲南正邦生物技術有限公司

