
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Flavors and Fragrances Company Limited 中國香精香料有限公司, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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China Flavors and Fragrances Company Limited

中國香精香料有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3318)

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF LAND IN THE PRC**

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the acquisition of the Land by Shenzhen-Boton as contemplated under the Agreement
“Agreement”	the agreement dated 1 June 2007, made between Shenzhen-Boton and the Government in respect of the Acquisition
“Board”	the board of Directors of the Company
“Company”	China Flavors and Fragrances Company Limited (中國香精香料有限公司), a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	the piece of land located at 南山曙光倉儲區宗地號 T505-0059 (Nanshan Shuguang Cang Chu Qu Zong Di No. T505-0059) in Shenzhen, the PRC
“Latest Practicable Date”	12 June 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

DEFINITIONS

“Shenzhen-Boton”	深圳波頓香料有限公司 (Shenzhen-Boton Flavors and Fragrances Co., Ltd), an indirect wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“m ² ”	square metre

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.0276. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

LETTER FROM THE BOARD



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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3318)

Executive directors:

Mr. Wong Ming Bun (*Chairman*)
Mr. Wang Ming Fan (*Chief Executive Officer*)
Mr. Wang Ming You
Mr. Li Qing Long
Mr. Qian Wu

Independent non-executive directors:

Mr. Goh Gen Cheung
Mr. Leung Wai Man, Roger
Mr. Zhou Xiao Xiong

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P. O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Principal place of business

in Hong Kong:
Offices 4-5, 15/F.,
Kwan Chart Tower,
No. 6 Tonnochy Road,
Wanchai,
Hong Kong

18 June 2007

To Shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION: ACQUISITION OF LAND IN THE PRC

INTRODUCTION

On 6 June 2007, the Company announced that Shenzhen-Boton, an indirect wholly owned subsidiary of the Company, entered into an agreement with the Government on 1 June 2007 to acquire the use right of a piece of land in Shenzhen at an aggregate consideration of RMB58,267,476 (equivalent to approximately HK\$59,875,658), the amount of which has been fully paid by cash.

The amount of consideration represents more than 5% but is less than 25% of the applicable ratio of the Company as defined under Rule 14.07(1) of the Listing Rules, the Acquisition therefore constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to give you further details of the Agreement and other information of the Group.

LETTER FROM THE BOARD

AGREEMENT

Date

1 June 2007

Parties

1. 深圳市國土資源和房產管理局 (Shenzhen National Land Resources and Estate Management Bureau) (the “Government”). The principal business of the Government is to review the application and utilization of the land resources in Shenzhen and to grant land in accordance with its city planning scheme.

To the best knowledge, information and belief of the Directors and after making all reasonable enquiries, the Government is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and is not a connected person (as defined in the Listing Rules) of the Company; and

2. Shenzhen-Boton, an indirect wholly owned subsidiary of the Company

Information on the Land

Shenzhen-Boton shall acquire from the Government the land use right of the land located at 南山曙光倉儲區宗地號 T505-0059 (Nanshan Shuguang Cang Chu Qu Zong Di No. T505-0059) in Shenzhen, the PRC. The Land occupies an area of approximately 80,167.47 m² and its designated use is industrial.

The term of the land use right of the Land is 50 years from 26 March 2007 to 25 March 2057.

Consideration

The aggregate consideration of the Land is RMB58,267,476 (equivalent to approximately HK\$59,875,658).

The consideration was fixed by the Government with reference to market value of the land in Shenzhen. The said amount was settled by Shenzhen-Boton on 23 March 2007, and details of which have been disclosed in the Company’s announcement dated 19 April 2007.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacturing and sales of flavors and fragrance products.

The Board (including the independent non-executive directors of the Company) is of the view that the Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group. The terms of the Agreement are fair and reasonable and in the interests of the shareholders of the Company and the Company as a whole. The Company did not have any prior transactions with the Government that require aggregation under Rule 14.22 of the Listing Rules.

In an attempt to benefit from the anticipated increase in market demand for the Group's products, Shenzhen-Boton intends to enlarge its capacity base and will construct office building and research centre on the Land. It is anticipated that the gross floor area of the buildings will be less than 217,254 m². According to the terms of the Agreement, Shenzhen-Boton is required to complete the construction of the building on the Land before 30 May 2009. With the completion of the plant on the Land, the Board expects that it will facilitate the Group in the rapid development of the Group's business.

Looking forward, the business growth of the Group is expected to accelerate in the future. The Board will maintain growth through horizontal integration and will continue to deploy resources to enhance market promotion, strengthen the product development team, and to increase the variety of products and expand distribution network in the PRC and overseas market. Save as disclosed, the Acquisition does not have any material effect on the assets and liabilities of the Group.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
China Flavors and Fragrances Company Limited
中國香精香料有限公司
Wong Ming Bun
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) *Beneficial interest in the shares of the Company*

Name of Director	Capacity/Nature of interest	Number of shares	Percentage of issued shares
Mr. Wong Ming Bun	Interest in a controlled corporation (<i>Note 2</i>)	265,809,000 (L)	59.75%

Notes:

- The letter "L" denotes a long position in the shares of the Company.
- By virtue of the SFO, Mr. Wong Ming Bun is deemed to be interested in all the 264,327,000 shares held by Creative China Limited in which 52.45% of its issued share capital is owned by Mr. Wong Ming Bun.

(ii) *Beneficial interests in the shares of Creative China Limited, an associated corporation (defined in the SFO) of the Company*

Name of Director	Class and number of Shares held in associated corporation	Percentage of issued Shares
Mr. Wong Ming Bun	5,245 ordinary shares	52.45%

Name of Director	Class and number of Shares held in associated corporation	Percentage of issued Shares
Mr. Wang Ming Fan	1,593 ordinary shares	15.93%
Mr. Wang Ming You	1,005 ordinary shares	10.05%
Mr. Li Qing Long	731 ordinary shares	7.31%

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

- (a) As at the Latest Practicable Date, so far as is known to the Directors, the following person, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Capacity	Number of ordinary shares (Note 1)	Approximate percentage of interest
Creative China Limited	Beneficial owner	264,327,000 shares (L)	59.41%

Note:

1. The letter "L" represents the entity's interests in the shares of the Company.

- (b) Save as disclosed in this circular, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

5. DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of 36 months commencing on 9 December 2005 or 15 March 2007 (for Mr. Wang Ming You and Mr. Qian Wu). These contracts are only determinable by the Company upon occurrence of certain conditions as set out in these contracts or upon expiry of these contracts.

Other than disclosed above, none of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation. As at the Latest Practicable Date, there was not any proposed Director or proposed service contract with Directors.

6. COMPETING BUSINESS

None of the Directors and his associates (as defined in the Listing Rules) has any interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. MISCELLANEOUS

- (a) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is at Offices 4-5, 15/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

- (c) The company secretary and financial controller of the Company are Mr. Ma Man Wai and Mr. Lam Chi Ming, Francis respectively. Mr. Ma Man Wai is a member of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of CPA Australia. Mr. Lam Chi Ming, Francis is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and Association of Certified Public Accountants.
- (d) The branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.