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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)

**PLACING OF EXISTING SHARES
AND SUBSCRIPTION OF NEW SHARES
AND
RESUMPTION OF TRADING**

Sole Bookrunner and Lead Manager

CAZENOVE

Cazenove Asia Limited

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

On 12 July 2007, the Vendor entered into the Placing Agreement with the Placing Agent, the Company and Locked-up Covenantors. Under the Placing Agreement, the Vendor has agreed to place, through the Placing Agent, 56,000,000 Shares in the issued share capital of the Company to independent investors at a price of HK\$5.20 per Share. The Placing Shares represent approximately 12.56% of the existing issued share capital of the Company and approximately 11.59% of the Company's issued share capital as enlarged by the issue of the Subscription Shares.

On the same date, the Vendor and the Company also entered into the Subscription Agreement. Within 14 days from the date of the Placing Agreement, the Vendor will, pursuant to the Subscription Agreement, subscribe for 37,334,000 new Shares at a price of HK\$5.20 per Share, being the same as the Placing Price. The Subscription Shares represent approximately 8.37% of the existing issued share capital of the Company and approximately 7.73% of the Company's issued share capital as enlarged by the issue of the Subscription Shares. The Subscription Shares shall be issued pursuant to the existing general mandate given to the Directors to allot and issue Shares.

The Placing is fully underwritten by the Placing Agent. Completion of the Placing and the Subscription is subject to the satisfaction of certain conditions as described below. If these conditions are not fulfilled, completion of the Placing and Subscription will not proceed.

The net proceeds from the Subscription of approximately HK\$188 million will be used by the Group for future capital expenditures, acquisitions of companies of the same industry, vertical acquisitions of companies in the upstream industry and general working capital of the Company. The Company has not decided the amount for each of the intended use of proceeds and will make further announcement when the amounts are confirmed.

The Vendor presently holds 264,327,000 Shares, or approximately a 59.28% interest in the Company as at the date of this announcement and prior to the completion of the Placing. The Vendor's shareholding in the Company will be reduced to approximately 46.72% immediately upon completion of the Placing, and will then be increased to approximately 50.84% immediately upon completion of the Subscription.

The Subscription is conditional upon, amongst other things, the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares.

SUSPENSION AND RESUMPTION OF TRADING

The Placing Agreement and the Subscription Agreement was entered into after 12:30 p.m. on 12 July 2007. Trading in the Shares of the Company was suspended at the request of the Company from 2:30 p.m. on 12 July 2007 pending the release of this announcement. The Company has applied for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 13 July 2007.

PLACING OF EXISTING SHARES UNDER THE PLACING AGREEMENT DATED 12 JULY 2007

Parties:

- (i) the Vendor, a controlling shareholder of the Company;
- (ii) Wong Ming Bun and Wong Ming Fan as Locked-up Covenantors;
- (iii) the Company; and
- (iv) the Placing Agent, who is independent of and not connected with the directors, chief executive or substantial shareholders of the Vendor, each member of the Group or any of their respective associates, including the Company and its connected persons.

Placees:

The Placing Shares will be placed with not less than six placees, who will be independent of and not connected with the directors, chief executive or substantial shareholders of the Vendor, each member of the Group or any of their respective associates. No placee will become substantial shareholder of the Company as a result of the Placing.

Number of Placing Shares:

56,000,000 Shares to be placed, representing approximately 12.56% of the existing issued share capital of the Company of 445,885,000 Shares, and approximately 11.59% of the issued capital of the Company as enlarged by the issue of 37,334,000 new Shares under the Subscription. The Placing is fully underwritten by the Placing Agent.

Placing Price: HK\$5.20 per Placing Share (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fees and SFC transaction levies), which represents:

- (i) a discount of approximately 9.57% to the closing price of HK\$5.75 per Share as quoted on the Stock Exchange on 12 July 2007, being the last trading day of the Shares immediately before and including the date of this announcement; and
- (ii) a discount of approximately 5.80% to the average closing price of approximately HK\$5.52 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before and including the date of this announcement.

The Placing Price, net of placing commission and other costs and expenses, is approximately HK\$5.04 per Placing Share. The Placing Price was determined after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) are of the opinion that the Placing Price and the discount are fair, reasonable and in the best interest of the Company.

Rights: The Placing Shares rank pari passu in all respects with the existing Shares.

Conditions: Completion of the Placing Agreement is subject to the fulfillment of the following conditions:

- (i) the Subscription Agreement having been entered into by the parties thereto; and
- (ii) there is no breach of representations, warranties or undertakings and no breach of, or failure to perform, any of the other obligations of the Company or any of the Vendor required to be performed at or before completion.

Completion: Completion of the Placing is expected to take place on or before 16 July 2007.

Commission: The Placing Agent will receive management and underwriting commission of 2.75% of the aggregate Placing Price of the Placing Shares from the Vendor and the Company in proportion to the ratio of number of existing Shares sold by the Vendor and number of new Shares issued by the Company over the Placing Shares. The Vendor and the Company will bear the disbursements and the expenses related to the Placing in the proportion similar to the one applicable to the management and underwriting commission. The Directors (including the independent non-executive Directors) consider the amount of the management and underwriting commission to be fair and reasonable.

Lock-up:

Pursuant to the Placing Agreement, the Vendor and the Locked-up Covenantors have undertaken to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being 6 months after the date of the Placing Agreement, it/he will not and will procure that none of its/his nominees, companies controlled by it/him or trusts associated with it/him (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the new Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Pursuant to the Placing Agreement, the Company has undertaken to the Placing Agent that (except for (i) the new Shares to be allotted and issued to the Subscribers or their respective nominees, (ii) any new Shares or options to be issued pursuant to the existing or previous employee share option schemes of the Company and (iii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company or on the exercise of rights existing at the date of the Placing Agreement from the date of the Placing Agreement and on and prior to the date being 6 months after the date of the Placing Agreement it will not (without the prior written consent of the Placing Agent) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Termination: The Placing Agreement contains provisions granting the Placing Agent the right to terminate the Placing Agreement prior to completion if certain events occur, which includes but not limited to (i) any breach of representations, warranties and undertakings by the Vendor or the Company; (ii) any material adverse change in the financial position, condition, business of prospects of the Group; (iii) acts of God, acts of government, war, riot, public disorder, terrorism, strike; and (iv) material change in financial markets or currency exchange rate or controls.

SUBSCRIPTION OF NEW SHARES UNDER THE SUBSCRIPTION AGREEMENT DATED 12 JULY 2007

Parties:

- (i) the Company; and
- (ii) the Vendor, a controlling shareholder of the Company

Number of Subscription Shares: The Company will issue 37,334,000 new Shares to the Vendor representing approximately 8.37% of the existing issued share capital of the Company and approximately 7.73% of the issued share capital of the Company as enlarged by the issue of 37,334,000 new Shares under the Subscription. The number of shares to be issued by the Company pursuant to the Subscription Agreement will not exceed the number of shares placed by the Placing Agent pursuant to the Placing Agreement.

Subscription Price: HK\$5.20 per Subscription Share (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fees and SFC transaction levies) which is the same as the Placing Price.

The Placing Price was determined after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) are of the opinion that the Placing Price and the discount are fair, reasonable and in the best interest of the Company.

General Mandate: The Subscription Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of its shareholders passed at the Company's general meeting held on 2 May 2007, which authorised the Directors to allot and issue a maximum of 89,177,000 Shares.

The general mandate has not been utilised prior to entering into of the Subscription Agreement and the Company has not undertaken any equity fund raising activities in the 12 months immediately before the date of this announcement.

Ranking of Subscription Shares:

The Subscription Shares will, when fully paid, rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the completion of the Subscription.

Conditions:

The Subscription is conditional upon:

- (a) completion of the Placing having occurred pursuant to the terms of the Placing Agreement; and
- (b) listing of and permission to deal in all the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

Completion:

Pursuant to the Placing Agreement and the Subscription Agreement, and in accordance with the Listing Rules, the Subscription must be completed within 14 days after the date of the Placing Agreement, that is, on or before 26 July 2007 (or such other date as the Company and the Vendor may agree, subject to compliance with the Listing Rules), failing which the Subscription shall cease and terminate.

REASON FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Board consider that the Placing and Subscription represents a good opportunity to raise further capital for the Company, while at the same time broadening its shareholder and capital base. The net proceeds from the Subscription, of approximately HK\$188 million, will be used by the Group for future capital expenditures, acquisitions of companies of the same industry, vertical acquisitions of companies in the upstream industry and general working capital of the Company. As at the date hereof, the Company has not identified specific companies for acquisition. The Company has not decided the amount for each of the intended use of proceeds and will make further announcement when the amounts are confirmed.

The Board considers the terms of the Placing Agreement and the Subscription Agreement, which have been negotiated on an arm's length basis in accordance with normal commercial terms, to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the shareholding structure of the Company immediately upon completion of the Placing and the Subscription are set out below:

	Existing		Immediately after the Placing				Immediately after the Placing and the Subscription				Assuming full exercise of all options granted under the share option scheme of the Company					
	Subtotal of the public shareholders		Shares		Subtotal of the public shareholders		Shares		Subtotal of the public shareholders		Shares		Subtotal of the public shareholders			
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%		
Vendor	264,327,000	59.28	-	-	208,327,000	46.72	-	-	245,661,000	50.84	-	-	245,661,000	50.65%	-	-
Placees of the Placing Shares	-	-	-	-	56,000,000	12.56	-	-	56,000,000	11.59	-	-	56,000,000	11.55%	-	-
Other public shareholders of the Company	181,558,000	40.72	181,558,000	40.72	181,558,000	40.72	237,558,000	53.28	181,558,000	37.57	237,558,000	49.16	181,558,000	37.44%	-	-
Shares issued pursuant to options granted under the share option scheme of the Company	-	-	-	-	-	-	-	-	-	-	-	-	1,770,000	0.36%	239,328,000	49.35%
Total	445,885,000	100.00			445,885,000	100.00			483,219,000	100.00			484,989,000	100.00%		

Note:

The above figures assume that other than the Subscription Shares, no further Shares are issued or repurchased by the Company and other than the Placing Shares, no Shares are sold or purchased by the Vendor, in each case on or after the date of this announcement and up to the date of the completion of the Placing and Subscription.

SUSPENSION AND RESUMPTION OF TRADING

The Placing Agreement and the Subscription Agreement was entered into after 12:30 p.m. on 12 July 2007. Trading in the Shares of the Company was suspended at the request of the Company from 2:30 p.m. on 12 July 2007 pending the release of this announcement. The Company has applied for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 13 July 2007.

DEFINITIONS

The following defined terms are used in this announcement:

“associate”	has the meaning ascribed to it in the Listing Rules;
“Board”	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;
“Directors”	directors (including the independent non-executive directors) of the Company;
“Group”	the Company and its subsidiaries;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;

“Locked-up Covenantors”	Mr. Wong Ming Bun and Mr. Wong Ming Fan who are directors of the Company;
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement;
“Placing Agent”	Cazenove Asia Limited, the sole bookrunner, lead manager and placing agent of the Placing;
“Placing Agreement”	placing agreement between the Vendor, the Company, the Placing Agent and the Locked-up Covenantors dated 12 July 2007;
“Placing Price”	HK\$5.20 per Placing Share;
“Placing Shares”	a total of 56,000,000 Shares representing approximately 12.56% of the existing issued share capital of the Company and approximately 11.59% of the issued share capital of the Company as enlarged by the issue of Subscription Shares, which are to be placed by the Placing Agent pursuant to the Placing Agreement at the Placing Price;
“SFC”	the Securities and Futures Commission of Hong Kong;
“Shares”	ordinary shares of HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for the Subscription Shares pursuant to the Subscription Agreement;
“Subscription Agreement”	Subscription Agreement between the Vendor and the Company dated 12 July 2007;
“Subscription Shares”	37,334,000 Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement; and
“Vendor”	Creative China, a company incorporated in the British Virgin Islands, the controlling shareholder of the Company and is owned as to 52.45%, 15.93%, 14.26%, 10.05% and 7.31% by Mr. Wong Ming Bun, Mr. Wang Ming Fan, Mr. Wang Ming Qing, Mr. Wang Ming You, and Mr. Li Qing Long respectively. Mr. Wang Ming Qing is an administration manager of one of the subsidiaries of the Company. Save as disclosed in this announcement Mr. Wang Ming Qing has no other role or position in the Group.

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

Hong Kong, 12 July 2007

As at the date of this announcement, the executive directors of the Company are Mr. Wong Ming Bun, Mr. Wang Ming Fan, Mr. Wang Ming You, Mr. Li Qing Long, Mr. Qian Wu; and the independent non-executive directors of the Company are Mr. Goh Gen Cheung, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong.