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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)**

## **SUBSCRIPTION OF NEW SHARES OF LUDAO INVESTMENTS HOLDINGS LIMITED**

On 14 July 2008, the Subscriber (a wholly owned subsidiary of the Company), Ludao, Taizhou Ludao and the Guarantor entered into the Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for the new shares of Ludao at the consideration of RMB¥26,000,000 (equivalent to approximately HK\$29,714,286).

The Subscription does not constitute a notifiable transaction for the Company under Chapter 14 or Chapter 14A of the Listing Rules. This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to announce that the Group has entered into a subscription agreement (the “Agreement”) on 14 July 2008. Details of the Agreement are as follows:

### **Parties**

1. Neland Development Limited (the “Subscriber”), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company;
2. Ludao Investments Holdings Limited (“Ludao”), a company incorporated in the British Virgin Islands with limited liability;
3. 台州綠島化妝品有限公司 (Taizhou Ludao Cosmetics Company Limited) (“Taizhou Ludao”), a company incorporated in the PRC and is the wholly owned subsidiary of Ludao; and
4. Mr. Yu Yue Rong 虞岳榮 (the “Guarantor”), the legal and beneficial owner of the entire issued share capital of Ludao.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Ludao, Taizhou Ludao and the Guarantor (together with their respective ultimate beneficial owners) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

## The Subscription

Pursuant to the Agreement, the Subscriber shall subscribe for 11 new shares of Ludao, which represents approximately 10% of the enlarged issued share capital of Ludao, at the consideration of RMB¥26,000,000 (equivalent to approximately HK\$29,714,286). The sole asset of Ludao is the 100% equity interest in Taizhou Ludao. The unaudited total asset value of Taizhou Ludao as at 31 March 2008 was approximately RMB¥78,604,889 (equivalent to approximately HK\$89,834,159) and the unaudited net profit of Taizhou Ludao for the period from 1 January 2008 to 31 March 2008 was approximately RMB¥3,262,597 (equivalent to approximately HK\$3,728,682).

## Covenants

Pursuant to the Agreement, Taizhou Ludao guarantees, inter alia, that it shall source all the flavors and fragrances material from the Group and make the Group as its sole supplier of flavors and fragrances.

Also, pursuant to the Agreement, Ludao, Taizhou Ludao and the Guarantor provided warranties in relation to the turnover and net profit of Taizhou Ludao in respect of the 3 years after Completion as follows:

Year	Turnover	Net Profit
1st year after Completion	Not less than RMB¥120,000,000 (equivalent to approximately HK\$137,142,857) to RMB¥150,000,000 (equivalent to approximately HK\$171,428,571)	Not less than RMB¥16,000,000 (equivalent to approximately HK\$18,285,714)
2nd year after Completion	Not less than RMB¥156,000,000 (equivalent to approximately HK\$178,285,714) to RMB¥195,000,000 (equivalent to approximately HK\$222,857,143)	Not less than RMB¥20,800,000 (equivalent to approximately HK\$23,771,429)
3rd year after Completion	Not less than RMB¥202,800,000 (equivalent to approximately HK\$231,771,429) to RMB¥253,500,000 (equivalent to approximately HK\$289,714,286)	Not less than RMB¥27,040,000 (equivalent to approximately HK\$30,902,857)

## Completion

Completion of the Agreement (the "Completion") shall be conditional upon fulfillment or waiver (as the case may be) of, inter alia, the Subscriber having conducted relevant due diligence with satisfactory result. Completion will take place on the 7th business day after the fulfillment or waiver of all the conditions precedent (or such other date as the Subscriber and Ludao may agree).

## General

The Board is of the view that the Subscription is beneficial to the Group because Taizhou Ludao will source all its fragrances supplies used in the production of its export aerosol products from the Group exclusively, which will be a good source of income for the Group.

The Subscription does not constitute a notifiable transaction for the Company under Chapter 14 or Chapter 14A of the Listing Rules. This announcement is made pursuant to Rule 13.09 of the Listing Rules.

For use in this announcement and for illustration purpose only, conversion of Renminbi into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB¥0.875.

## Definitions

In this announcement, unless otherwise defined, the following expressions have the meaning set out below:

“business day(s)”	a day (excluding Saturday) on which banks are open for business in Hong Kong
“Board”	means the board of Directors
“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, the issued shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of new shares of Ludao by the Subscriber
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB¥”

Renminbi, the lawful currency of the PRC

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, 14 July 2008

*As at the date of this announcement, the executive directors of the Company are Mr. Wong Ming Bun, Mr. Wang Ming Fan, Mr. Li Qing Long, Mr. Wang Ming You and 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.*