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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 FOR NEW SHARES

On 3 December 2010, the Company entered into letter agreements with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for 650,000 Subscription Shares at the Subscription Price of HK\$1.92 per Subscription Share and the subscription moneys shall be set off against the Gratuity payable by the Company to the Subscribers in relation to the Subscribers' contributions to the Group.

The Subscription Shares represent approximately 0.134% of the existing issued share capital of the Company and approximately 0.133% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares will be issued under the General Mandate.

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

THE SUBSCRIPTION

On 3 December 2010, the Company entered into letter agreements with each of Guo Hai Long, Qiu Jing and Wan Shuk Ching (collectively, the “**Subscribers**”), pursuant to which the Subscribers have conditionally agreed to subscribe for 650,000 new Shares (the “**Subscription Shares**”) at the Subscription Price of HK\$1.92 per Subscription Share.

As at the date of this announcement, the Subscribers are senior staff of the Group who have served the Group for more than 4 years. To the best knowledge of the Directors, the Subscribers are independent of and not connected persons of the Company.

Subscription Shares

The Subscription Shares will be subscribed for as to 150,000 Subscription Shares, 300,000 Subscription Shares and 200,000 Subscription Shares by each of Guo Hai Long, Qiu Jing and Wan Shuk Ching. The Subscription Shares represent approximately 0.134% of the existing issued share capital of the Company as at the date hereof and approximately 0.133% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares are not subject to any lock-up provisions, the Subscribers are free to transfer any of the Subscription Shares as they consider desirable after completion of the Subscription.

Subscription Price

The Subscription Price is HK\$1.92 per Subscription Share, which is equivalent to the closing price of the Shares on 3 December 2010 as quoted on the Stock Exchange.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the recent trading performance of the Shares. The Board considers that the Subscription Price and the terms of the letter agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Subscription Shares have a nominal value of HK\$65,000 and a market value of HK\$1,248,000, based on the closing price of HK\$1.92 per Share on 3 December 2010.

The Board has resolved to reward the Subscribers in the aggregate amount of HK\$1,248,000 (the "Gratuity") as a gratitude to their contributions to the Group. The Company and the Subscribers agreed that on completion of the Subscription, the Gratuity will be used to set off the subscription moneys for the Subscription Shares payable by the Subscribers.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the completion date of the Subscription, including the right to any dividends or distribution declared on or after the date of completion of the Subscription.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate. The number of Shares that the Company may issue under the General Mandate is 96,877,800 Shares, representing 20% of the issued share capital of the Company as at the date of annual general meeting of the Company held on 24 May 2010.

As at the date of this announcement, no Shares have been issued pursuant to the General Mandate.

Conditions of the Subscription

The Subscription is conditional upon the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares.

In the event that the condition of the Subscription is not fulfilled within 90 days from the date of the letter agreements or such other date as may be agreed between the parties, the letter agreements shall cease and determine and neither the Company nor the Subscribers shall have any obligations and liabilities thereunder.

Completion

Completion will take place on the third business day after the condition of the Subscription is fulfilled (or such other date as may be agreed between the Company and the Subscribers).

REASONS FOR THE SUBSCRIPTION

As the Company proposed to pay Gratuity to the Subscribers, the Company's cashflow will be not be affected if the payment of such Gratuity is settled with the allotment and issue of the Subscription Shares. Also, the issue of the Subscription Shares to the Subscribers serve to retain the Subscribers and to provide incentive to the Subscribers to continue their contribution to the growth of the Group.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Subscription are as follows:

Name of Shareholder	Shareholding as at the date of this announcement	%	Shareholding immediately after Completion	%
<i>Substantial Shareholder</i> Creative China Limited (Note 1)	290,282,134	59.62	290,282,134	59.54
<i>Public</i> The Subscribers	–	–	650,000	0.13
Others	196,603,698	40.38	196,603,698	40.33
	<u>486,885,832</u>	<u>100</u>	<u>487,535,832</u>	<u>100</u>

Note 1: The shareholding interest of Creative China Limited stated herein includes the shareholding interest personally held by Wong Ming Bun as to 1,869,587 Shares. Wong Ming Bun is a Director and a substantial shareholder of Creative China Limited.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the previous 12 months immediately preceding the date of this announcement.

GENERAL

The Group is principally engaged in trading, manufacturing and selling of extracts, flavors and fragrances.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors
“Company”	China Flavors and Fragrances Company Limited 中國香精香料有限公司 (Stock Code: 3318), a company incorporated in Cayman Islands with limited liability
“Directors”	the directors of the Company
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by the resolution of the Shareholders passed at the annual general meeting on 24 May 2010
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$1.92 per Subscription Share
“Subscription Share(s)”	650,000 new Share(s)
“%”	per cent.

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, 3 December 2010

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. Leung Wai Man, Roger, Mr. Ng Kwun Wan and Mr. Zhou Xiao Xiong.