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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 NEW SHARES UNDER GENERAL MANDATE ON A BEST EFFORT BASIS

Placing Agent

Orient Securities Limited



東方滙財證券有限公司
ORIENT SECURITIES LIMITED

PLACING OF NEW SHARES UNDER GENERAL MANDATE ON A BEST EFFORT BASIS

On 22 June 2012 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent whereby the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, a maximum of 80,000,000 Placing Shares to not less than 6 independent Placees at a price of HK\$1.00 per Placing Share. The Placing Shares represent approximately 15.71% of the Company's existing issued share capital of 509,373,936 Shares as at the date of this announcement and approximately 13.57% of its issued share capital as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be approximately HK\$8,000,000.

The Placing Price of HK\$1.00 per Placing Share represents (i) a premium of approximately 1.01% to the closing price of HK\$0.990 per Share as quoted on the Stock Exchange on 22 June 2012, being the date of the Placing Agreement; and (ii) a premium of approximately 0.40% to the average closing price of approximately HK\$0.996 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including 22 June 2012.

The maximum gross proceeds from the Placing will be approximately HK\$80 million and the maximum net proceeds will be approximately HK\$78 million. The Company plans to use the said maximum net proceeds for the construction of the production plant in Shenzhen, the PRC.

The Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

Completion of the Placing is subject to the satisfaction of the condition precedent in the Placing Agreement.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Placing Agreement

Date

22 June 2012

Issuer

The Company

Placing Agent and the Placees

Orient Securities Limited, the Placing Agent, has conditionally agreed to place a maximum of 80,000,000 Placing Shares on a best effort basis and in consideration thereof, it will receive a placing commission of 2% on the gross proceeds of the Placing upon completion of the Placing, which was determined after arm's length negotiation between the Company and the Placing Agent. The Directors are of the view that the placing commission accords with the market rate and is fair and reasonable. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are not Connected Persons of the Company and are independent from and not connected with the Company and/or its Connected Persons.

The Placing Agent will place the Placing Shares to not less than 6 Placees, being individuals, institutional or other professional investors, and who and whose ultimate beneficial owners will not be Connected Persons of the Company and will be independent of and not connected with the Company and its Connected Persons. It is expected that none of the Placees will become substantial shareholder (as defined in the Listing Rules) of the Company immediately after the Placing.

Number of Placing Shares

A maximum of 80,000,000 Placing Shares which represent approximately 15.71% of the Company's existing issued share capital of the Company of 509,373,936 Shares as at the date of this announcement and approximately 13.57% of its issued share capital as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$8,000,000.

Placing Price

The Placing Price of HK\$1.00 per Placing Share represents (i) a premium of approximately 1.01% to the closing price of HK\$0.990 per Share as quoted on the Stock Exchange on 22 June 2012, being the date of the Placing Agreement; and (ii) a premium of approximately 0.40% to the average closing price of approximately HK\$0.996 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including 22 June 2012.

The net proceeds to be raised under the Placing is approximately HK\$0.975 per Placing Share.

The Directors consider that the Placing Price, which was agreed after arm's length negotiations between the Company and the Placing Agent with reference to current market price of the Shares, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

General Mandate

The Placing Shares will be allotted and issued under the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 18 May 2012 pursuant to which the Directors are allowed to allot and issue up to 101,874,787 Shares.

As at the date of this announcement, no Shares have been issued and allotted pursuant to such general mandate.

Condition of the Placing

The Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

The condition must be fulfilled on or before 16 July 2012 (or such other date as agreed by the Company and the Placing Agent), failing which the Placing Agreement shall terminate and none of the parties to the Placing Agreement shall have any claim against the other for any costs or losses (save for any antecedent breaches of the Placing Agreement).

Completion of the Placing

Completion of the Placing shall take place not later than the third Business Day following the fulfillment of the condition stated above (or such other date as may be agreed between the Company and the Placing Agent).

Termination and force majeure events

The Placing Agreement may be terminated by the Placing Agent if at any time prior to 10:00 a.m. on the date of completion for the Placing Agreement, in the reasonable opinion of the Placing Agent,

- (a) the success of the Placing or the business or financial prospects of the Group would be materially and adversely affected by the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever; or
- (b) if any suspension in the trading of the Shares on the Stock Exchange for more than 10 consecutive trading days up to the Completion Date.

Reasons for the Placing and use of proceeds

The Group is principally engaged in the research and development, trading, manufacture and selling of flavors and fragrances which are provided to the Group's customers for making addition and improvement of flavors and fragrances in the customers' manufactured tobacco, food and daily consumer goods.

The maximum gross proceeds from the Placing will be approximately HK\$80 million and the maximum net proceeds will be approximately HK\$78 million. The Company plans to use the said maximum net proceeds for the construction of the production plant in Shenzhen, the PRC.

The Directors are of the view that the Placing will enlarge the shareholder base and the capital base of the Company. In addition, the net proceeds of the Placing will strengthen the Group's financial position for future development of the Group. Accordingly, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

Fund raising exercises during the past 12 months

The Company has not conducted any fund raising exercises in the past 12 months before the date of this announcement.

Shareholding structure of the Company

The shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after completion of the Placing is as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Placing	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Creative China Limited (<i>Note</i>)	301,244,709	59.14	301,244,709	51.11
Public	<u>208,129,227</u>	<u>40.86</u>	<u>288,129,227</u>	<u>48.89</u>
Total	<u>509,373,936</u>	<u>100.00</u>	<u>589,373,936</u>	<u>100.00</u>

Note: Creative China Limited is owned as to 41.19% by Mr. Wang Ming Fan, as to 28.11% by Mr. Wong Ming Bun, as to 19.87% by Mr. Wang Ming You, as to 6.89% by Mr. Qian Wu and as to 3.94% by Mr. Li Qing Long.

General

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of approval for the listing of, and permission to deal in, the Placing Shares.

As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“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 shares of which are listed on the main board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	The People’s Republic of China
“Placees”	any individual, institutional or other professional investor procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placing a maximum of 80,000,000 new Shares by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Oriental Securities Limited, a licensed corporation to carry out type 1 and type 4 regulated activities within the meaning of the SFO
“Placing Agreement”	a conditional placing agreement dated 22 June 2012 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$1.00 per Placing Share
“Placing Share(s)”	a maximum of 80,000,000 new Shares to be placed under the Placing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

“Shareholder(s)”	holders of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percentage

By order of the Board
China Flavors and Fragrances Company Limited
 中國香精香料有限公司
Wang Ming Fan
Director

Hong Kong, 22 June 2012

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.