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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3318)



Announcement

Reference is made to the announcement of the Company dated 10 December 2008 in respect of the Deed relating to the acquisition of Citiwell at the consideration of HK\$120 million by Boton Investments.

Due to the global economic turmoil, WT is unable to fulfill the Covenant Terms of the Agreement. As the downturn of the global economy has not been expected and foreseen, WT anticipated the Covenant Terms relating to the financial years of 2009 and 2010 will not be satisfied. On 28 February 2009, the Supplemental Agreement was entered into pursuant to which the Covenant Terms were revised.

Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.

Reference is made to the announcement of the Company dated 10 December 2008 in respect of the Deed of Sale and Purchase (the "Deed") dated 28 August 2007 relating to the acquisition of Citiwell International Group Limited ("Citiwell") at the consideration of HK\$120 million by Boton Investments Limited ("Boton Investments"), a wholly owned subsidiary of the Company. Citiwell holds 50% equity interest in 滕州市悟通香料有限責任公司 (Teng Zhou Shi Wu Tong Fragrances Company Limited) ("WT"). In the Agreement, Mr. Wei Shu Ping, the legal and beneficial owner of 50% of equity interest in WT, made certain covenants ("Covenant Terms") in relation to the financial position of WT in respect of the financial years of 2008, 2009 and 2010.

On 28 February 2009, an agreement supplemental to the Deed (the "Supplemental Agreement") was entered into pursuant to which the Covenants were revised.

The Supplemental Agreement

The principal terms of the Supplemental Agreement are as follows:

Date : 28 February 2009

Parties : (1) Boton Investments

(2) WT

(3) Mr. Wei Jie, the successor of late Mr. Wei Shu Ping, the legal and beneficial owner of 50% of equity interest in WT

New
Covenant
Terms

: 1. Mr. Wei Jie warrants the financial position of WT for the financial years from 2009 to 2016 as follows:

(a) for the financial year of 2009, the annual turnover of WT shall be not less than RMB120 million (equivalent to approximately HK\$123.7 million) and the net profit after tax shall be not less than RMB12 million (equivalent to approximately HK\$12.3 million);

(b) for the financial year of 2010, the annual turnover of WT shall be not less than RMB140 million (equivalent to approximately HK\$144.3 million) and the net profit after tax shall be not less than RMB15.4 million (equivalent to approximately HK\$15.9 million);

(c) for the financial year of 2011, the annual turnover of WT shall be not less than RMB170 million (equivalent to approximately HK\$175.3 million) and the net profit after tax shall be not less than RMB20.4 million (equivalent to approximately HK\$21 million);

(d) for the financial year of 2012, the annual turnover of WT shall be not less than RMB200 million (equivalent to approximately HK\$206.2 million) and the net profit after tax shall be not less than RMB24 million (equivalent to approximately HK\$24.7 million);

(e) for the financial year of 2013, the annual turnover of WT shall be not less than RMB230 million (equivalent to approximately HK\$237.1 million) and the net profit after tax shall be not less than RMB27.6 million (equivalent to approximately HK\$28.4 million);

(f) for the financial year of 2014, the annual turnover of WT shall be not less than RMB260 million (equivalent to approximately HK\$268 million) and the net profit after tax shall be not less than RMB31.2 million (equivalent to approximately HK\$32.2 million);

(g) for the financial year of 2015, the annual turnover of WT shall be not less than RMB300 million (equivalent to approximately HK\$309.3million) and the net profit after tax shall be not less than RMB36 million (equivalent to approximately HK\$37.1 million);

(h) for the financial year of 2016, the annual turnover of WT shall be not less than RMB350 million (equivalent to approximately HK\$360.8 million) and the net profit after tax shall be not less than RMB42 million (equivalent to approximately HK\$43.3 million);

(i) the annual settlement rate of sales during the year received by WT shall be 85% for each year from 2009 to 2016;

(j) the annual net profit ratio (i.e. net profit after tax of the year over

annual turnover) of WT shall be 12% for each financial year from 2012.

If the financial position of WT is unable to meet any of the above targets in any year of 2009 to 2016, the Guarantor shall compensate Boton Investments of the relevant shortfall as soon as possible after the audited report of each of the relevant financial year of WT from 2009 to 2016 are issued.

2. Boton Investments and WT acknowledge that Mr. Wei Jie is unable to fulfill his warranties on the financial position of WT in respect the financial year of 2008. Boton Investments and WT agree not to claim against Mr. Wei Jie or seek compensation from him in respect of his non-fulfillment of the said warranties.

Reasons for entering into the Supplemental Agreement

Due to the global economic turmoil, WT is unable to fulfill the Covenant Terms. As the downturn of the global economy has not been expected and foreseen, WT anticipated the Covenant Terms relating to the financial years of 2009 and 2010 will not be satisfied. However, the management of WT strongly believes the growth potential of aroma industry in Peoples' Republic of China, and hence requests for the revision of the Covenant Terms as stated above. Boton Investments concurs the above point of view of WT's management and would not enforce the Covenant Terms which may have the detrimental impact on WT and the motivation of the management of WT in the long run.

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 RMB0.97.

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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 March 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.