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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)

DISCLOSEABLE TRANSACTION **DISPOSAL OF 50% ISSUED SHARE CAPITAL OF AND LOAN DUE FROM** **UNIVERSAL FRAGRANCES COMPANY LIMITED**

THE AGREEMENT

The Board wishes to announce that after trading hours of the Stock Exchange on 29 October 2013, the Vendor, a wholly owned subsidiary of the Company, entered into the Agreement with the Purchaser in relation to the disposal of the Sale Shares and the Loan at an aggregate consideration of HK\$143,321,790.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are above 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

The Board announces that after trading hours of the Stock Exchange on 29 October 2013, the Company entered into the Agreement with the Purchaser in relation to the disposal of the Sales Shares and the Loan. The Sales Shares represent 50% of the issued share capital of Universal Fragrances, which in turn is the indirect beneficial owner of the entire equity interest in WT.

THE AGREEMENT

Date: 29 October 2013

Parties:

Purchaser: Jovory Special Opportunity Fund SPC

Vendor: Boton Investments Limited, a wholly owned subsidiary of the Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are not connected persons of the Company and are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Loan. The Sale Shares represent 50% of the issued share capital of Universal Fragrances and the principal amount of the Loan was HK\$3,321,790 as at 30 September 2013. Universal Fragrances, via its wholly owned subsidiaries, namely Glory Team and Vincent Profit, indirectly owns the entire equity interests in WT.

The Sale Shares and the Loan will be disposed of free from any encumbrance as at Completion.

Consideration

The Consideration for the Disposal is HK\$143,321,790, subject to adjustment as discussed in the paragraph headed "Covenants of the Vendor". The Consideration was agreed between the parties to the Agreement after arm's length negotiations between the parties on normal commercial terms with reference to (i) the Company's interest in the net asset value of the Disposal Group; (ii) the Loan; and (iii) the intangible assets in relation to the investment of the Disposal Group.

The Consideration shall be satisfied by the Purchaser in the following manner:

- (i) HK\$10,000,000 shall be paid within 10 Business Days of the date of signing of the Agreement (the "**Deposit**");
- (ii) HK\$30,000,000 shall be paid on the date of completion of the Agreement;
- (iii) HK\$30,000,000 shall be paid within one month of the delivery to the Purchaser on or before 31 March 2014 of the management accounts of WT made up to 31 December 2013; and
- (iv) the balance of the Consideration shall be paid within two months of the issuance of an auditor's report on or before 31 May 2014 in respect of WT for the financial year of 2013 ("**Auditor's Report**").

Conditions precedent

Completion of the Disposal shall be conditional upon fulfillment or waiver (as the case may be) of, inter alia, the following conditions:

- (a) the Purchaser being reasonably satisfied with the result of its due diligence exercise on the Disposal Group; and
- (b) the PRC legal opinion on WT being provided by the Vendor.

The Purchaser shall have the discretion to waive the conditions above. If the conditions precedent are not fulfilled or waived (as the case may be) on or before 31 March 2014, the Agreement shall, subject to the liability of any party to the other in respect of any antecedent breaches of the terms pursuant to the Agreement, be of no effect, provided that the Vendor shall forthwith repay the Deposit to the Purchaser.

Completion

Completion of the Agreement shall take place within 7 Business Days (or such later date the parties may agree) following the date on which all the conditions are fulfilled or waived.

Upon completion of the Disposal, the Disposal Group will cease to be subsidiaries of the Company.

Covenants of the Vendor

Pursuant to the Agreement, the Vendor guarantees that the net profits of WT in the financial year of 2013 shall be not less than HK\$12,000,000 (the “**Guaranteed Profit**”).

The Vendor shall procure the Auditor’s Report to be issued on or before 31 May 2014. If the net profit of WT as shown in the Auditor’s Report is unable to meet the Guaranteed Profit, the Consideration shall be adjusted downwards by the amount of shortfall of the Guaranteed Profit. The Purchaser shall be entitled to deduct the amount of shortfall of the Guaranteed Profit from the balance of the Consideration payable by the Purchaser to the Vendor.

INFORMATION OF THE DISPOSAL GROUP

Universal Fragrances is an investment holding company incorporated in the Cayman Islands and holds 100% shareholding interest in Glory Team. Glory Team is an investment holding company incorporated in the British Virgin Islands and its sole investment is the 100% shareholding interest of Vincent Profit, a company incorporated in Hong Kong. The sole asset of Vincent Profit is 100% equity interest of WT.

WT is principally engaged in the manufacturing and selling of (i) pharmaceutical intermediates, which are common essential chemical products used for further chemical reaction to manufacture pharmaceutical products; and (ii) flavor and fragrance ingredients, which are usual basic ingredients applied to the manufacture of flavors and fragrances for production of food and daily consumer goods.

Set out below is the consolidated financial information of the Disposal Group for the two years ended 31 December 2011 and 2012 and the six months ended 30 June 2013, which was prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2011 (audited) <i>RMB’000</i>	For the year ended 31 December 2012 (audited) <i>RMB’000</i>	For the 6 months ended 30 June 2013 (unaudited) <i>RMB’000</i>
Turnover	158,866	135,019	69,142
Profit before taxation	14,722	2,470	2,673
Profit after taxation	11,269	2,708	2,124

	As at 31 December 2011 (audited) <i>RMB'000</i>	As at 31 December 2012 (audited) <i>RMB'000</i>	As at 30 June 2013 (unaudited) <i>RMB'000</i>
Total assets	267,761	267,561	268,835
Total liabilities	77,444	74,536	73,686
Net assets	190,317	193,025	195,149

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of the Cayman Islands which principally invests in consumer industry in the PRC. It is an investment vehicle which is ultimately beneficially held by its investors.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are not connected persons of the Company and are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

REASONS FOR THE DISPOSAL

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

WT is in the upstream business of our Group. The Board considers that the Disposal represents a good opportunity for the Group to realize its investment in WT and strengthen the cash position of the Group. The Disposal allows the Group to reallocate its resources to focus on the principal business of the Group.

Based on the above, the Board is of the view that the Disposal is in the interests of the Company and its shareholders as a whole, the terms of the Disposal are fair and reasonable and the Agreement is on normal commercial terms.

The net proceeds from the Disposal, being the Consideration net of relevant expenses, are estimated to be approximately HK\$142,700,000. The Company intends to apply such net proceeds for the Group's general working capital.

It is expected that, upon Completion, the Group will not record any material gain or loss in connection with the Disposal because the Consideration is determined with reference to the net asset value of the Disposal Group; the Loan; and the intangible assets in relation to the investment of the Disposal Group. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to audit.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are above 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Agreement”	the Agreement for Sale and Purchase of the Sale Shares of Universal Fragrances dated 29 October 2013 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of directors of the Company
“Business Day(s)”	a day (excluding Saturday) on which banks are 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 issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms of the Agreement
“Consideration”	the consideration of HK\$143,321,790 in respect of the Disposal pursuant to the Agreement, of which HK\$140,000,000 and HK\$3,321,790 are attributable to the transfer of the Sale Shares and the Loan, respectively
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Loan by the Vendor to the Purchaser pursuant to the Agreement
“Disposal Group”	Universal Fragrances, Glory Team, Vincent Profit and WT
“Glory Team”	Glory Team Holdings Limited (耀添控股有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of Universal Fragrances
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the debt owed by Universal Fragrances to the Vendor in the aggregate amount of HK\$3,321,790 as at 30 September 2013
“PRC”	the People’s Republic of China
“Purchaser”	Jovory Special Opportunity Fund SPC, a company incorporated under the laws of the Cayman Islands
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 10,000 shares of HK\$0.01 each in the issued share capital of Universal Fragrances beneficially held by Vendor, representing 50% of the issued share capital of Universal Fragrances
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Universal Fragrances”	Universal Fragrances Company Limited (環球香料有限公司), a company incorporated in the Cayman Islands with limited liability and a 50% owned subsidiary of the Company
“Vendor”	Boton Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company and the legal and beneficial owner of 50% of the issued share capital of Universal Fragrances
“Vincent Profit”	Vincent Profit Corporation Limited (永成利有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly owned subsidiary of Glory Team
“WT”	滕州市悟通香料有限責任公司 (Tengzhou City Wutong Aroma Chemicals Company Limited*), a company established in the PRC with limited liability and a direct wholly owned subsidiary of Vincent Profit

* *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

China Flavors and Fragrances Company Limited
Wang Ming Fan
Chairman

Hong Kong, 29 October 2013

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