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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)**

## **MEMORANDUMS OF UNDERSTANDING**

On 22 December 2015 (after trading hours), the Company entered into the MOUs with each of the Vendors respectively. The Vendors and their respective ultimate beneficial owners are Independent Third Parties and are independent of and not connected with each other.

Pursuant to the First MOU, the Company shall pay the First Vendor a refundable deposit of RMB30 million (equivalent to approximately HK\$36 million) as earnest money and the Company shall be entitled to conduct due diligence on the First Vendor's business and/or assets within a period of 2 months from the date of First MOU (or such other period as the parties may agree) for considering the potential acquisition of First Vendor's business and/or assets.

Pursuant to the Second MOU, the Company shall pay the Second Vendor a refundable deposit of RMB60 million (equivalent to approximately HK\$72 million) as earnest money and the Company shall be entitled to conduct due diligence on the Second Vendor's business and/or assets within a period of 2 months from the date of the Second MOU (or such other period as the parties may agree) for considering the potential acquisition of the Second Vendor's business and/or assets.

Pursuant to the Third MOU, the Company shall pay the Third Vendor a refundable deposit of RMB30 million (equivalent to approximately HK\$36 million) as earnest money and the Company shall be entitled to conduct due diligence on the Third Vendor's business and/or assets within a period of 3 months from the date of the Third MOU (or such other period as the parties may agree) for considering the potential acquisition of the Third Vendor's business and/or assets.

**The Board wishes to emphasise that the proposed acquisitions may or may not materialise and shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.**

## **FIRST MOU**

### **Date:**

22 December 2015 (after trading hours)

### **Parties:**

First Vendor: Shenzhen Huiji Company Limited\*  
(深圳輝際實業有限公司)

Purchaser: The Company

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the First Vendor and their ultimate beneficial owners are Independent Third Parties not connected with the Company and its connected person (as defined in the Listing Rules).

### **Subject matter of the First MOU**

The Company proposed to acquire the business and/or assets of the First Vendor subject to the Company's satisfaction of the due diligence result on the same.

Pursuant to the First MOU, the Company shall pay the First Vendor a refundable deposit of RMB30 million (equivalent to approximately HK\$36 million) as earnest money and the Company shall be entitled to conduct the relevant due diligence within a period of 2 months from the date of the First MOU (or such other period as the parties may agree) for considering the potential acquisition of the First Vendor's business and/or assets.

During the said period of 2 months, the First Vendor shall not (and shall procure their agents and advisers not to) directly or indirectly negotiate with any third party on any sale or transfer of any material assets of its business or assets. Formal agreement will be entered into by the First Vendor and the Company (or its nominee) within 5 Business Days upon completion of the said due diligence (or such other date as the First Vendor and the Company may agree) provided that the result of which is to the satisfaction of the Company and the deposit paid shall be applied as partial payment of consideration in accordance with the terms of the formal agreement.

In the event during the said period of 2 months, *inter alia*, that the Company is not satisfied with the result of the relevant due diligence or the parties cannot enter into formal agreement notwithstanding the due diligence result is satisfactory to the Company, the deposit paid to the First Vendor shall be returned to the Company.

## **SECOND MOU**

### **Date:**

22 December 2015 (after trading hours)

### **Parties:**

Second Vendor: Shenzhen Da Herong Spice Company Limited\*  
(深圳大合榮香精香料有限公司)

Purchaser: The Company

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Second Vendor and their ultimate beneficial owners are Independent Third Parties not connected with the Company and its connected person (as defined in the Listing Rules).

### **Subject matter of the Second MOU**

The Company proposed to acquire the business and/or assets of the Second Vendor subject to the Company's satisfaction of the due diligence result on the same.

Pursuant to the Second MOU, the Company shall pay the Second Vendor a refundable deposit of RMB60 million (equivalent to approximately HK\$72 million) as earnest money and the Company shall be entitled to conduct the relevant due diligence within a period of 2 months from the date of Second MOU (or such other period as the parties may agree) for considering the potential acquisition of the Second Vendor's business and/or assets.

During the said period of 2 months, the Second Vendor shall not (and shall procure their agents and advisers not to) directly or indirectly negotiate with any third party on any sale or transfer of any material assets of its business or assets. Formal agreement will be entered into by the Second Vendor and the Company (or its nominee) within 5 Business Days upon completion of the said due diligence (or such other date as the Second Vendor and the Company may agree) provided that the result of which is to the satisfaction of the Company and the deposit paid shall be applied as partial payment of consideration in accordance with the terms of the formal agreement.

In the event during the said period of 2 months, *inter alia*, that the Company is not satisfied with the result of the relevant due diligence or the parties cannot enter into formal agreement notwithstanding the due diligence result is satisfactory to the Company, the deposit paid to the Second Vendor shall be returned to the Company.

## **THIRD MOU**

### **Date:**

22 December 2015 (after trading hours)

### **Parties:**

Third Vendor: Hainan Central South Island Spice and Fragrance Company Limited\*  
(海南中南島香精香料有限公司)

Purchaser: The Company

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Third Vendor and their ultimate beneficial owners are Independent Third Parties not connected with the Company and its connected person (as defined in the Listing Rules).

### **Subject matter of the Third MOU**

The Company proposed to acquire the business and/or assets of the Third Vendor subject to the Company's satisfaction of the due diligence result on the same.

Pursuant to the Third MOU, the Company shall pay the Third Vendor a refundable deposit of RMB30 million (equivalent to approximately HK\$36 million) as earnest money and the Company shall be entitled to conduct the relevant due diligence within a period of 3 months from the date of the Third MOU (or such other period as the parties may agree) for considering the potential acquisition of the Third Vendor's business and/or assets.

During the said period of 3 months, the Third Vendor shall not (and shall procure their agents and advisers not to) directly or indirectly negotiate with any third party on any sale or transfer of any material assets of its business or assets. Formal agreement will be entered into by the Third Vendor and the Company (or its nominee) within 5 Business Days upon completion of the said due diligence (or such other date as the Third Vendor and the Company may agree) provided that the result of which is to the satisfaction of the Company and the deposit paid shall be applied as partial payment of consideration in accordance with the terms of the formal agreement.

In the event during the said period of 3 months, *inter alia*, that the Company is not satisfied with the result of the relevant due diligence or the parties cannot enter into formal agreement notwithstanding the due diligence result is satisfactory to the Company, the deposit paid to the Third Vendor shall be returned to the Company.

## **REASON FOR ENTERING INTO THE MOUS**

The terms of the MOUs were arrived at after arm's length negotiations between the Company and the Vendors. The payment of the deposits under the MOUs will be funded by the internal resources of the Group. The Directors consider that the transactions contemplated by the MOUs are on normal commercial terms and the terms of the MOUs are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

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

The Vendors are companies established in the PRC which are engaged in the research and development, manufacturing and sale of tobacco and flavors.

The Directors consider that the proposed acquisitions would provide an opportunity for the Group to expand its business in the manufacturing of tobacco flavor and will further enhance the product portfolio and future earnings of the Group.

## **GENERAL**

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are independent of and not connected with each other. Each MOU was negotiated separately with each Vendor by the Company and each MOU has its own terms on the amount of deposit and exclusivity period.

**The Board wishes to emphasise that the proposed acquisitions may or may not materialise and shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	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 and the shares of which are listed on the Stock Exchange (stock code: 3318)
“Director(s)”	the director(s) of the Company

“First MOU”	the memorandum of understanding dated 22 December 2015 entered into between the First Vendor and the Company in relation to the proposed acquisition of the business and/or assets of the First Vendor
“First Vendor”	Shenzhen Huiji Company Limited* (深圳輝際實業有限公司), a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	a person(s) or company(ies) which is/are independent of and not connected with any of our Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of its respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOUs”	collectively, the First MOU, Second MOU and Third MOU
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second MOU”	the memorandum of understanding dated 22 December 2015 entered into between the Second Vendor and the Company in relation to the proposed acquisition of the business and/or assets of the Second Vendor
“Second Vendor”	Shenzhen Da Herong Spice Company Limited* (深圳大合榮香精香料有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third MOU”	the memorandum of understanding dated 22 December 2015 entered into between the Third Vendor and the Company in relation to the proposed acquisition of the business and/or assets of the Third Vendor

“Third Vendor”

Hainan Central South Island Spice and Fragrance Company Limited\* (海南中南島香精香料有限公司), a company established in the PRC with limited liability

“Vendors”

collectively, the First Vendor, Second Vendor and Third Vendor

By Order of the Board  
**China Flavors and Fragrances Company Limited**  
**Wang Ming Fan**  
*Chairman*

Hong Kong, 22 December 2015

*For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of RMB1.00 to HK\$1.2. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.*

*As at the date of this announcement, the Board comprises seven Directors, namely Mr. Wang Ming Fan, Mr. Li Qing Long and Mr. Qian Wu as executive Directors, Ms. Sy Wai Shuen as non-executive Director and Mr. Leung Wai Man, Roger, Mr. Ng Kwun Wan and Mr. Zhou Xiao Xiong as independent non-executive Directors.*

\* *For identification purpose only*