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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 LEASE AGREEMENT

THE LEASE AGREEMENT

Reference is made to the voluntary announcement of the Company dated 4 January 2016 in relation to the lease of various floors of the Building. The Board would like to provide the Shareholders with further information in relation to the lease.

Shenzhen Boton, a wholly-owned subsidiary of the Company, as lessor entered into the Lease Agreement on 1 November 2015 with the Lessee.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Lease Agreement is more than 5% but less than 25%, the Lease Agreement constitutes a discloseable transaction of the Company and is exempted from Shareholders' approval requirement but is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Reference is made to the voluntary announcement of the Company dated 4 January 2016 in relation to the lease of various floors of the Building. The Board would like to provide the Shareholders with further information in relation to the lease.

THE LEASE AGREEMENT

Principal terms of the Lease Agreement are summarized below:

Date:	1 November 2015
Lessor:	Shenzhen Boton, a wholly-owned subsidiary of the Company
Lessee:	Shenzhen Vanke Industry Property Operation Management Limited* (深圳市萬科產業地產運營管理有限公司)
Premises:	lobby and 4–18/F of the Building together with 19–20/F of the Building (from 1 January 2017 onwards)
Term:	8 years commencing from the date of confirmation of handover signed by both parties
Gross floor area:	approximately 19,936 square meters
Rental:	monthly rental of RMB1,406,720 (equivalent to approximately HK\$1,688,064) from commencement of term to 31 December 2016; monthly rental of RMB1,594,880 (equivalent to approximately HK\$1,913,856) from 1 January 2017 to the third rental year; monthly rental of RMB1,881,958 (equivalent to approximately HK\$2,258,349) for the fourth to sixth rental year; and monthly rental of RMB2,258,349 (equivalent to approximately HK\$2,710,018) for the seventh rental year till the expiry of the term
Rent free period:	5 months' rent free period for the first rental year; 2 months' rent free period for the second rental year; and 2 months' rent free period for the third rental year
Management fees:	monthly fee of RMB2 (equivalent to approximately HK\$2.4) per square metre payable by the Lessee

REASONS AND BENEFITS FOR THE LEASE AGREEMENT

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 consumer goods.

The Group owns the production base, research and development centre and two office buildings (one of which is the Building) at the Shenzhen Boton Science and Technology Park. In 2015, construction of the two office buildings was completed and interior renovation has since taken place. Both office buildings are expected to be ready for occupancy in 2016 and the Group will occupy one of the office buildings.

The Building has been leased out to the Lessee and another tenant with a view to generate steady income to the Group, which will create value for the Shareholders and increasing Shareholders' return.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Lessee and its ultimate beneficial owners are Independent Third Parties.

The Board is of the view that the Lease Agreement was entered into at arm's length at the prevailing market rent and on normal commercial terms. The Directors are of the view that the leasing is in the best interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Lease Agreement, is more than 5% but less than 25%, the Lease Agreement constitutes a discloseable transaction of the Company and is exempted from Shareholders' approval requirement but is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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 of the Company
“Building”	Block B of Boton Building* (波頓大廈), an office building located at intersection of Xili Chaguang Road and No. 1 Chuangke Road of Nanshan District, Shenzhen, PRC (中國深圳市南山區西麗茶光路與創科路一號路交匯處)
“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

“Directors”	directors of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Lease Agreement”	the Lease agreement entered into by Shenzhen Boton on 1 November 2015
“Lessee”	Shenzhen Vanke Industry Property Operation Management Limited* (深圳市萬科產業地產運營管理有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	Shareholder(s) of the Company
“Shenzhen Boton”	Shenzhen Boton Spice Company Limited* (深圳波頓香料有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“%”	percent

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

Hong Kong, 11 January 2016

* For identification purpose only

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 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.