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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)**

## MEMORANDUM OF UNDERSTANDING

On 13 January 2016 (after trading hours), the Company entered into the MOU with the Vendor. The Vendor and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the MOU, the Company shall pay the 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 Vendor's business and/or assets within a period of 2 months from the date of the MOU (or such other period as the parties may agree) for considering the potential acquisition of the Vendor's business and/or assets.

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

### THE MOU

**Date:**

13 January 2016 (after trading hours)

**Parties:**

Vendor: Guangzhou Fangyuan Spice Company Limited\*  
(廣州市芳源香料有限公司)

Purchaser: The Company

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its 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 MOU**

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

Pursuant to the MOU, the Company shall pay the 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 MOU (or such other period as the parties may agree) for considering the potential acquisition of the Vendor's business and/or assets.

During the said period of 2 months, the 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 Vendor and the Company (or its nominee) within 5 Business Days upon completion of the said due diligence (or such other date as the 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 Vendor shall be returned to the Company.

## **REASON FOR ENTERING INTO THE MOU**

The terms of the MOU were arrived at after arm's length negotiations between the Company and the Vendor. The payment of the deposit under the MOU will be funded by the internal resources of the Group. The Directors consider that the transaction contemplated by the MOU is on normal commercial terms and the terms of the MOU 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 consumer goods.

The Vendor is a company established in the PRC which is engaged in the research and development, manufacturing and sale of tobacco and flavors.

The Directors consider that the proposed acquisition 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.

**The Board wishes to emphasise that the proposed acquisition 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
“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
“MOU”	the memorandum of understanding dated 13 January 2016 entered into between the Vendor and the Company in relation to the proposed acquisition of the business and/or assets of the Vendor
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor”

Guangzhou Fangyuan Spice Company Limited\* (廣州市芳源香料有限公司), a company established in the PRC with limited liability

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

Hong Kong, 13 January 2016

*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*