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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)

CONNECTED TRANSACTION **ACQUISITION OF PROPERTY**

The Board announces that on 18 December 2019 (after trading hours), Kimree Korea, a non-wholly owned subsidiary of the Company, entered into the Property Sale and Purchase Agreement with the Vendor, pursuant to which Kimree Korea agreed to acquire the Property in Korea at a total consideration of KRW770,000,000 (equivalent to approximately HK\$5,135,900).

The Vendor is the spouse of Mr. Han Sang Un, who is the beneficial owner of 49% shareholding interest of Kimree Korea, which in turn is indirectly owned as to 51% by the Company. As such, the Vendor is an associate of a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company. Pursuant to Rule 14A.76(2) of the Listing Rules, as each of the applicable percentage ratios (other than the profits ratio) for the Acquisition is less than 5% and the consideration is below HK\$10,000,000, such connected transaction is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE PROPERTY ACQUISITION

The Board announces that on 18 December 2019 (after trading hours), Kimree Korea, as purchaser, entered into the Property Sale and Purchase Agreement with the Vendor to acquire the Property. The principal terms of the Property Sale and Purchase Agreement are as follows:

Date: 18 December 2019 (after trading hours)

Parties: (1) Kimree Korea (as the purchaser); and

(2) Ms. Hyojin Cho (as the vendor)

Information of the Property: A piece of land in the aggregate approximate gross floor area of 468.94 meter square located at 9-24, 9-136 and 9-137 of Cheongna-dong, Seo-gu, Incheon, Korea.

Consideration: KRW770,000,000 (equivalent to approximately HK\$5,135,900)

Completion: The Acquisition is completed once the relevant registration procedures in respect of the transfer of the title of the Property are completed.

As at the date hereof, the Acquisition is completed.

CONSIDERATION

The Consideration was determined after arm's length negotiations between Kimree Korea and the Vendor. The Consideration is of the same amount as the Vendor acquired the Property in November 2015 and the Consideration is comparable to the land of similar size in the vicinity. As at the date of this announcement, the Consideration has been fully paid which was funded by the Group's internal resources.

REASONS FOR AND BENEFITS OF THE PROPERTY ACQUISITION

It is the intention of the Board to construct an office on the Property for use by Kimree Korea and the office of Kimree Korea will be relocated thereto after construction is completed. The Property locates near Incheon Airport which is convenient for transportation and logistics of our products. The Board considers that it is beneficial to the Group as having a self-owned office will improve the operating cash flow of the Group in the long run by eliminating rental expenses for the leased office and the Group can have the opportunity to benefit from the capital appreciation of the Property.

The Board (including the independent non-executive Directors) considers that the terms of the Property Sale and Purchase Agreement (including the Consideration) are fair and reasonable and are entered into on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP AND THE VENDOR

The Group mainly engages in the research and development, manufacture and sale of extracts, flavors and fragrances. The Group is also engaged in the design and manufacture of high quality electronic cigarettes and related products. To the best knowledge and belief of the Director, the Vendor is a merchant.

LISTING RULES IMPLICATIONS

The Vendor is the spouse of Mr. Han Sang Un, who is the beneficial owner of 49% shareholding interest of Kimree Korea, which in turn is indirectly owned as to 51% by the Company. As such, the Vendor is an associate of a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company. Pursuant to Rule 14A.76(2) of the Listing Rules, as each of the applicable percentage ratios (other than the profits ratio) for the Acquisition is less than 5% and the consideration is below HK\$10,000,000, such connected transaction is subject to the reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As no Director has a material interest in the Acquisition, no Director was required to abstain from voting in the board resolution approving the Acquisition.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“Acquisition”	the acquisition of the Property by Kimree Korea from the Vendor under the Property Sale and Purchase Agreement
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“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 shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	the consideration for the Property Acquisition
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“KRW”	South Korean won, the lawful currency of South Korea
“Kimree Korea”	Kimree Korea Co., Ltd, company incorporated in Korea with limited liability and an indirect non-wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	a piece of land located Cheongna-dong, Seo-gu, Incheon, Korea
“Property Sale and Purchase Agreement”	the sale and purchase agreement dated 18 December 2019 entered between Kimree Korea and the Vendor in respect of the sale and purchase of the Property
“Shareholders”	holder(s) of the shares of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Ms. Hyojin Cho, an associate of a connected person of the Company
“%”	per cent

Note: For the purpose of illustration only, KRW is translated to HK\$ at the illustrative rate of KRW1.00 = HK\$0.00667.

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

Hong Kong, 18 December 2019

As at the date of this announcement, the Board comprises Mr. Wang Ming Fan, Mr. Li Qing Long and Mr. Yang Ying Chun as executive Directors, and Mr. Leung Wai Man, Roger, Mr. Ng Kwun Wan and Mr. Zhou Xiao Xiong as independent non-executive Directors.