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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Flavors and Fragrances Company Limited 中國香精香料有限公司, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**  
**RE-ELECTION OF DIRECTORS**  
**AMENDMENT TO THE ARTICLES OF ASSOCIATION**  
**AND**  
**NOTICE OF ANNUAL GENERAL MEETING**

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A notice dated 10 April 2006 convening the annual general meeting of China Flavors and Fragrances Company Limited 中國香精香料有限公司 to be held at Grand I and II function room, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on 4 May 2006 at 10:00 a.m. is set out in this circular. A form of proxy for use at the annual general meeting is enclosed in this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)).

Whether or not you are able to attend the annual general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time fixed for holding the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting if you so wish.

10 April 2006

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context requires otherwise:*

“AGM”	the annual general meeting of the Company to be convened on 4 May 2006 at 10:00 a.m. at Grand I and II function room, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong;
“Articles”	the articles of association adopted by the Company, and as amended from time to time by resolution of the Shareholders of the Company;
“Board”	the board of Directors;
“Chairman”	chairman of the Board;
“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 with its securities listed on the Stock Exchange;
“Director(s)”	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 People’s Republic of China;
“Latest Practicable Date”	4 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Repurchase Mandate”	the proposed repurchase mandate to be granted to the Directors to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the resolution for approving the repurchase mandate;

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## DEFINITIONS

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“SFC”	the Securities and Futures Commission;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Share Issue Mandate”	the proposed issue mandate to be granted to the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution for approving the share issue mandate;
“Shareholder(s)”	holder(s) of the Share(s); and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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## LETTER FROM THE BOARD

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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)**

*Executive directors:*

Mr. Wong Ming Bun (*Chairman*)

Mr. Wang Ming Fan (*Chief Executive Officer*)

Mr. Li Qing Long

*Independent non-executive directors:*

Mr. Goh Gen Cheung

Mr. Leung Wai Man, Roger

Mr. Zhou Xiao Xiong

*Registered office:*

Century Yard

Cricket Square

Hutchins Drive

P. O. Box 2681 GT

George Town

Grand Cayman

Cayman Islands

British West Indies

*Principal place of business*

*in Hong Kong:*

Rooms 1504-5, 15th Floor

Kwan Chart Tower

No.6 Tonnochy Road

Wanchai

Hong Kong

10 April 2006

*To Shareholders*

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES  
RE-ELECTION OF DIRECTORS  
AMENDMENT TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with information in respect of the ordinary and special resolutions to be proposed at the AGM for the approval of (a) the Share Issue Mandate; (b) the Repurchase Mandate; (c) the extension of the Share Issue Mandate; (d) the re-elections of Directors and (e) the amendment to the Articles. This circular contains the explanatory statement and gives all the information reasonably necessary to enable the Shareholders to make informed decisions on whether to vote for or against the resolutions to be proposed at the AGM.

A notice convening the AGM is set out on page 14 to page 18 to this circular.

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## LETTER FROM THE BOARD

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### **GENERAL MANDATE TO ISSUE SHARES**

An ordinary resolution will be proposed at the AGM to grant the Directors a general and unconditional mandate to allot, issue and deal with Shares of HK\$0.10 each in the Company with an aggregate nominal value not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of such resolution. The Share Issue Mandate, if granted, will remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held under the Articles or any applicable laws of the Cayman Islands or the Listing Rules; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

### **GENERAL MANDATE TO REPURCHASE SHARES**

An ordinary resolution will be proposed at the AGM to grant the Directors a general and unconditional mandate to repurchase Shares subject to the maximum number of shares of up to 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of such resolution. The Repurchase Mandate, if granted, will remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held under the Articles or any applicable laws of the Cayman Islands or the Listing Rules; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

### **EXTEND GENERAL MANDATE TO ISSUE SHARES**

Subject to and conditional on the passing of the resolutions to approve the Share Issue Mandate and the Repurchase Mandate, an ordinary resolution will be proposed at the AGM to extend the Share Issue Mandate by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandates of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company in issue on the date of passing the resolution for approving the Share Issue Mandate.

An explanatory statement containing all relevant information relating to the proposed Repurchase Mandate is set out in the Appendix to this circular. The information in the explanatory statement is provided to you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution in relation to the Repurchase Mandate.

### **RE-ELECTION OF DIRECTORS**

As at the date of this circular, the executive Directors are Mr. Wong Ming Bun, Mr. Wang Ming Fan and Mr. Li Qing Long and the independent non-executive Directors are Mr. Goh Gen Cheung, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong.

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## LETTER FROM THE BOARD

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Pursuant to Article 86(3), a Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Accordingly, all Directors will retire at the AGM, who being eligible, offer themselves for re-election at the forthcoming AGM.

The biographical details of all the retiring Directors, who offer themselves for re-election, are as follows:

**Mr. Wong Ming Bun** (“Mr. Wong”), aged 47, is the Chairman of the Company and one of the founders of the Group. Mr. Wong has approximately 20 years of corporate management and administration experience in the flavour and fragrance industry. Mr. Wong is responsible for formulating the overall corporate strategy of the Group. Mr. Wong is an entrepreneur with extensive experience for corporate management of enterprises engaged in a variety of industries, which include flavours and fragrances, food, electronic, biotechnology and packaging. Mr. Wong is the brother of Mr. Wang Ming Qing, Mr. Wang Ming Fan and Mr. Wang Ming You. Mr. Wong was appointed as an executive Director in April 2005. Mr. Wong joined the Group since March 1991.

Save as disclosed above, Mr. Wong does not have any relationships with other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Wong did not hold other directorship in any public listed companies in the last 3 years but he has directorship in CFF Holdings Limited (“CFF Holdings”) and Shenzhen Guanlida-Boton Spice Co., Ltd (“Guanlida-Boton”), which are wholly owned subsidiaries of the Company.

Mr. Wong has entered into a service contract with the Company for a term of 3 years commencing from 9 December 2005 which continues thereafter until terminated by either party giving not less than 3 months’ notice in writing to the other party. Mr. Wong is entitled to an annual salary of HK\$1,800,000 which is determined on the basis of his relevant experience, responsibility, workload and time devoted to the Group. In addition, Mr. Wong is entitled to a management bonus by reference to the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items (the “Net Profits”) as the remuneration committee of the Board may, at its absolute discretion, approve provided that the aggregate amount of the management bonuses payable to all executive Directors in respect of any financial year shall not exceed 10% of the Net Profits for the relevant financial year.

**Mr. Wang Ming Fan** (“Mr. Wang”), aged 39, is an executive Director and chief executive officer responsible for the daily operation of the Group. Mr. Wang has approximately 20 years of corporate management experience in the flavour and fragrance industry. Mr. Wang joined the Group in 1996 as a general manager. Mr. Wang is the brother of Mr. Wong, Mr. Wang Ming Qing and Mr. Wang Ming You. He is now a member of 中國人民政治協商會議廣東省深圳市委員會 (the Standing of Committee of Chinese People’s Political Consultative

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## LETTER FROM THE BOARD

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Conference of Shenzhen), the vice chairman of the fifth executive committee of 中國香精香料化妝品工業協會 (China Association of Flavours and Fragrances Cosmetic Industry) and the vice chairman of 中國食品添加劑生產應用工業協會 (China Food Additive Production Application Industry Association). Prior to joining the Group, he was the deputy general manager of 深圳聯海化工有限公司 (Shenzhen Lianhai Chemical Industrial Co., Ltd.) for approximately 10 years. Mr. Wang was accredited as one of the “Ten Outstanding Young People in the Nanshan District of Shenzhen” by 中共深圳市南山區委員會 (Nanshan District Committee, Shenzhen of China Communist) and 深圳市南山區政府 (Nanshan District Government, Shenzhen) in 2004 and the “Chinese Distinguished Private Technology Entrepreneur” by 中華全國工商業聯合會 (Federation of Industry and Commerce) and 中國民營科技實業家協會 (China Private Technology Entrepreneur Association) in 2004. He was the vice chairman of Shenzhen Federation of Youth Entrepreneurs in March 2005 and was accredited as an Outstanding Entrepreneur by Guangdong Food Profession Association.

Save as disclosed above, Mr. Wang does not have any relationships with other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Wang did not hold other directorship in any public listed companies in the last 3 years but he has directorship in CFF Holdings and Guanlida-Boton, which are wholly owned subsidiaries of the Company.

Mr. Wang has entered into a service contract with the Company for a term of 3 years commencing from 9 December 2005 with an annual salary of HK\$1,800,000. The terms of Mr. Wang’s service contract are similar to that of Mr. Wong’s service contract, which includes, inter alia, the basis of determination of salary, entitlement to management bonus and termination of contract.

**Mr. Li Qing Long** (“Mr. Li”), aged 45, is an executive Director. Mr. Li has more than 20 years of research and development and production experience in the flavour and fragrance industry. Mr. Li joined the Group in March 1991 and served as the deputy general administration manager. Mr. Li is responsible for the research and development and production of flavours and fragrances of the Group. He graduated from 上海輕工業專科學校 (Shanghai Light Industry Professional School) in 1982 with a major in 有機合成工藝 (organic synthesis process). Prior to joining the Group, he worked in 上海日用香精廠 (Shanghai Flavor and Fragrance Factory) for approximately 8 years.

Save as disclosed above, Mr. Li does not have any relationships with other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Li did not hold other directorship in any public listed companies in the last 3 years but he has directorship in CFF Holdings and Guanlida-Boton, which are wholly owned subsidiaries of the Company.

Mr. Li has entered into a service contract with the Company for a term of 3 years commencing from 9 December 2005 with an annual salary of HK\$1,500,000. The terms of Mr. Li’s service contract are similar to that of Mr. Wong’s service contract, which includes, inter alia, the basis of determination of salary, entitlement to management bonus and termination of contract.



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## LETTER FROM THE BOARD

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**Mr. Goh Gen Cheung** (“Mr. Goh”), aged 59, is an independent non-executive Director and the chairman of the Audit Committee. Mr. Goh has over 30 years of experience in the field of treasury, finance and banking in Hong Kong and the Asia Pacific region. Mr. Goh had been serving the treasury department of the Standard Chartered Bank (Hong Kong) Limited for more than 30 years. Mr. Goh is an associate member of the Institute of Bankers and obtained a master’s degree in business administration from the University of East Asia in Macau in 1987. Apart from the Group, Mr. Goh also serves as an independent non-executive director and a member of the audit committee of four other listed companies in Hong Kong, namely, Shinhint Acoustic Link Holdings Limited, Peaktop International Holdings Limited, Karce International Holdings Company Limited and CEC International Holdings Limited. Shinhint Acoustic Link Holdings Limited is a vertically integrated manufacturing services provider for some leading consumer electronics brands. Peaktop International Holdings Limited is principally engaged in the design, manufacture and sale of home, garden and plastic decorative products. Karce International Holdings Company Limited is principally engaged in the manufacture and trading of electronic products, conductive silicon rubber keypads, printed circuit boards and telecommunication products whereas CEC International Holdings Limited is principally engaged in the design and manufacture of coils, ferrite materials, inductors, transformers and capacitors. Mr. Goh was an independent non-executive director of Wah Lee Resources Holdings Limited (now known as Guo Xin Group Limited) (“Wah Lee”) from August 1996 to October 2000. Wah Lee had been put into provisional liquidation for a period of six months from April 2000 to October 2000. He resigned from the post of independent non-executive director of Wah Lee with effect from the date on which the restructuring of Wah Lee was successfully completed in October 2000. He was not involved in any investigation by the Stock Exchange, the SFC, the provisional liquidators or any of the other regulators. Mr. Goh was appointed as an independent non-executive Director in November 2005.

Mr. Goh does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Goh did not hold other directorship in any public listed companies in the last 3 years.

Mr. Goh has a 2-year contract with the Company commencing from 9 December 2005 and will receive an annual director’s fee of HK\$150,000. Save and except the director’s fee, Mr. Goh will not be entitled to any other remuneration for holding his office as an independent non-executive director of the Company.

**Mr. Leung Wai Man, Roger** (“Mr. Leung”), aged 49, is an independent non-executive Director and a member of the Audit Committee. Mr. Leung obtained a bachelor’s degree of laws from The University of Hong Kong in 1981. Mr. Leung also obtained bachelor’s degree of laws from The University of Western Ontario, Canada in 1990. He has been a practicing solicitor in Hong Kong since 1984 and is now a partner of a law firm. Mr. Leung is admitted as a solicitor in England and Wales and Ontario, Canada. Mr. Leung has over 20 years of working experience in the legal field. He has been serving as a member of the Board of Review (Inland Revenue Ordinance) from 1997 to 2005 and as an appointed Attesting Officer in the PRC since January 2003. Mr. Leung is currently an independent non-executive director and a

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## LETTER FROM THE BOARD

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member of the audit committee of Hi Sun Technology (China) Limited, the shares of which are listed on the Stock Exchange. Hi Sun Technology (China) Limited is principally engaged in the sale of designated information technology products, provision of information system consultancy, integration services and information technology value-added services. Mr. Leung was an independent non-executive director of Plus Holdings Limited from 19 June 2000 to 30 September 2004. Two petitions for winding up were filed against Plus Holdings Limited in May 2003 and January 2004 respectively, which were dismissed in August 2003 and withdrawn in February 2004 respectively. Mr. Leung was not involved in any investigation in relation to the winding up proceedings save and except for a disciplinary hearing held in May 2001 in which the Listing Committee of the Stock Exchange determined that Mr. Leung had not breached any obligations under the Listing Rules and no sanction was imposed on him. Mr. Leung was appointed as an independent non-executive Director in November 2005.

Mr. Leung does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Leung did not hold other directorship in any public listed companies in the last 3 years.

Mr. Leung has a 2-year contract with the Company commencing from 9 December 2005 and will receive an annual director's fee of HK\$150,000. Save and except the director's fee, Mr. Leung will not be entitled to any other remuneration for holding his office as an independent non-executive director of the Company.

**Mr. Zhou Xiao Xiong** ("Mr. Zhou"), aged 45, is an independent non-executive Director and a member of the Audit Committee. Mr. Zhou obtained a bachelor's degree in 經濟信息管理系 (Economic Information Management) and a master's degree in 世界經濟 (World Economics) from the 中國人民大學 (Renmin University of China) in 1983 and 1998, respectively. Mr. Zhou had worked as a senior management in a number of financial institutions in the PRC including 廣東證券有限公司 (Guangdong Securities Company Limited), 中國銀行股份有限公司 (Bank of China Limited) and 中山證券有限責任公司 (Zhongshan Securities Company Limited) and had approximately 20 years of experience in the fields of financial services and investment banking. Mr. Zhou was appointed as an independent non-executive Director in November 2005.

Mr. Zhou does not have any relationship with any Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Zhou did not hold other directorship in any public listed companies in the last 3 years.

Mr. Zhou has a 2-year contract with the Company commencing from 9 December 2005 and will receive an annual director's fee of HK\$150,000. Save and except the director's fee, Mr. Zhou will not be entitled to any other remuneration for holding his office as an independent non-executive director of the Company.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Creative China Limited is interested in 300,690,000 Shares, which represents approximately 73.72% of the issued share capital of the Company. Creative China Limited is owned by 5 individuals, including Mr. Wong who owns as to 52.45%, Mr. Wang who owns as to 15.93% and Mr. Li who owns as to 7.31% of the shareholding interest in Creative China Limited. Save and except the aforesaid shareholding, none of the retiring Directors has any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there is no information about any of the retiring Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters in relation to the aforesaid re-elections that is required to be brought to the attention of the Stock Exchange or the Shareholders.

### **PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION**

To bring the Articles up to date with the amendment of the Listing Rules which came into effect on 1 March 2006 and the Code on Corporate Governance Practices of the Listing Rules, a special resolution will be proposed at the AGM to amend the Articles as follows:

- (a) to provide that the Directors may be removed at any general meeting by “ordinary resolution”, instead of by “special resolution”;
- (b) to provide that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should not be dealt with by way of circulation of Board resolutions but a Board meeting should be held instead; and
- (c) to require that all Directors appointed to fill a casual vacancy to be subject to election by Shareholders at the first general meeting after their appointment.

### **THE AGM, PROXY ARRANGEMENT AND DEMAND BY POLL**

A notice convening the AGM to be held at Grand I and II function room, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong, on 4 May 2006 at 10:00 a.m. is set out on pages 14 to 18 of this circular.

A form of proxy for use at the AGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). Whether or not you are able to attend the AGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM (or any adjournment thereof) to the office of the Company’s share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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Pursuant to Article 66 of the Articles, every resolution put to vote at a general meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or demanded (before or upon the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):

- (a) by the chairman of the meeting; or
- (b) by at least 3 Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

### RECOMMENDATION

The Directors consider that all the proposed resolutions in the AGM are in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of all the resolutions to be proposed at the AGM in respect thereof.

Yours faithfully  
For and on behalf of the Board  
**China Flavors and Fragrances Company Limited**  
中國香精香料有限公司  
**Wong Ming Bun**  
*Chairman*

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## EXPLANATORY STATEMENT

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*This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide all the information in relation to the Repurchase Mandate for your consideration.*

### **1. LISTING RULES RELATING TO THE REPURCHASES OF SECURITIES**

The Listing Rules permit companies whose primary listing are on the Stock Exchange to repurchase their fully-paid shares on the Stock Exchange subject to certain restrictions, the important of which are summarized below:

#### **(a) Shareholders' approval**

All proposed purchase of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by its shareholders by an ordinary resolution, either by way of a general mandate or by a specific approval in relation to a specific transaction.

#### **(b) Share capital**

Under the Repurchase Mandate, the number of Shares that the Company may repurchase shall not exceed 10% of the aggregate nominal amount of its issued share capital at the date of the passing of the proposed resolution approving the Repurchase Mandate.

As at the Latest Practicable Date, the Company has 407,892,000 Shares in issue. Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the AGM, the exercise of the Repurchase Mandate in full would result in up to 40,789,200 Shares being repurchased by the Company during the period from the date of passing of the relevant resolution to the next annual general meeting of the Company or the date upon which the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company, whichever occurs first.

#### **(c) Reason for repurchase**

The Directors believe that it is in the interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase securities of the Company on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

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## EXPLANATORY STATEMENT

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### **(d) Funding of repurchase**

Any purchase by the Company may be made out of the profits of the Company or out of a fresh issue of Shares made for the purpose of the purchase or, subject to the laws of the Cayman Islands, out of its capital and, in the case of any premium payable on the purchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the laws of the Cayman Islands, out of its capital.

As compared with the financial position of the Company as at 31 December 2005 (being the date of its latest audited accounts), the Directors consider that there would not be any material adverse impact on the working capital or gearing position of the Company if the Repurchase Mandate is to be exercised in full during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital or the gearing level (as compared with the position disclosed in its most recent published audited accounts) which in the opinion of the Directors are from time to time appropriate for the Company.

### **(e) Connected parties**

None of the Directors nor, to the best knowledge of the Directors having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) has any present intention to sell Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

As at the Latest Practicable Date, no connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

### **(f) Undertaking by Directors**

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

### **(g) Takeovers Code**

If as a result of a repurchase of Shares a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

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## EXPLANATORY STATEMENT

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As at the Latest Practicable Date, to the best knowledge and belief of the Directors, Creative China Limited, being the only substantial shareholder of the Company, held 300,690,000 Shares representing approximately 73.72% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding interest of Creative China Limited in the Company would be increased to approximately 81.91% of the issued share capital of the Company and such an increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeover Code. The Company will not repurchase Shares if that repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the Company's issued share capital.

### 2. SHARE PURCHASE MADE BY THE COMPANY

From the date of listing of the Shares of the Company to the Latest Practicable Date, which is approximately 4 months preceding the date of this circular, no Shares have been repurchased by the Company.

### 3. SHARE PRICES

From December 2005, being the month on which the Shares became listed on the Stock Exchange to April 2006 being the month in which this circular is issued, the highest and lowest prices at which the Shares have been traded on the Stock Exchange were as follows:

Month	Per Share	
	Highest (HK\$)	Lowest (HK\$)
<b>2005</b>		
December ( <i>Note 1</i> )	1.30	1.17
<b>2006</b>		
January	1.50	1.18
February	2.43	1.47
March	3.13	2.25
April ( <i>Note 2</i> )	3.10	2.85

*Notes:*

1 Dealings in the Shares on the Stock Exchange commenced on 9 December 2005

2 Up to the Latest Practicable Date

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## NOTICE OF ANNUAL GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting of China Flavors and Fragrances Company Limited (the “Company”) will be held at Grand I and II function room, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong, on 4 May 2006 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 December 2005.
2. To re-elect retiring Directors (whose particulars are stated in the circular of the Company dated 10 April 2006) and to authorize the board of directors to fix the directors’ remuneration.
3. To re-appoint auditors and to authorize the board of directors to fix the remuneration of the auditors.

As special business, to consider and if thought fit, pass with or without modifications, the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTIONS**

4. (A) **“THAT**
  - (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall be in addition to any other authorization given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which (including warrants, bonds and debentures convertible into shares of the Company) would or might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (a) and (b), otherwise than pursuant to (i) a Rights Issue (as



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## NOTICE OF ANNUAL GENERAL MEETING

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defined below); (ii) an issue of shares under any options granted under the share option scheme adopted by the Company; (iii) an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company; (iv) an issue of shares in lieu of the whole or part of a dividend pursuant to any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company; and (v) any adjustment, after the date of grant or issue of any options, rights to subscribe or other securities referred to in (ii) and (iii) above, in the price at which shares in the Company shall be subscribed, and/or in the number of shares in the Company which shall be subscribed, on exercise of relevant rights under such options, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, rights to subscribe for other securities, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the time of passing this resolution; and

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
- (iii) the date of which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares or other securities of the Company open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People’s Republic of China).”

(B) **“THAT**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase shares of the Company, subject to and in accordance with all applicable laws and requirements, be and is hereby generally and unconditionally approved;

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## NOTICE OF ANNUAL GENERAL MEETING

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(b) the aggregate nominal amount of the shares of the Company which may be purchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and

(iii) the date which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**THAT** conditional upon Resolutions A and B set out above being passed, the aggregate nominal amount of the shares of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution B above shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Resolution A above provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution.”

### SPECIAL RESOLUTIONS

5. “**THAT** the articles of association of the Company be and are hereby amended in the following manner and **THAT** any Director be and is hereby authorized to take such further actions as he may, in his sole and absolute discretion, thinks fit for and on behalf of the Company to implement the amendments below to the existing articles of association of the Company.

(A) Article 86(5)

by deleting the words “special resolution” and substituting thereto the words “ordinary resolution” in the second line of the existing Article 86(5).

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## NOTICE OF ANNUAL GENERAL MEETING

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(B) Article 122

by inserting the words “Subject to Article 122A, a” at the beginning of Article 122 and deleting the first word, “A”, of Article 122.

by inserting the following new Article 122A immediately after the existing Article 122:

“122A Where a substantial shareholder (within the meaning of the rules of the Designated Stock Exchange) or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should not be dealt with by way of circulation of board resolutions pursuant to this Articles or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a board meeting should be held in the presence of all the independent non-executive Directors (within the meaning of the rules of the Designated Stock Exchange) who, and whose associates, have no material interest in the transaction.”

(C) Article 86(3)

by deleting the last sentence of Article 86(3) and inserting the following sentence:

“Any Director so appointed shall hold office only until the next general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at the next following annual general meeting.”

By Order of the Board  
**China Flavors and Fragrances Company Limited**  
中國香精香料有限公司  
**Wong Ming Bun**  
Chairman

Hong Kong, 10 April 2006

*As at the date of this notice, the executive directors of the Company are Mr. Wong Ming Bun, Mr. Wang Ming Fan, Mr. Li Qing Long; and the independent non-executive directors of the Company are Mr. Goh Gen Cheung, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong.*

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, HongKong.
3. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or proxy, will be accepted to the exclusion of the votes of the joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.
5. The enclosed form of proxy must be signed by the appointor or by his attorney authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an office, attorney or other person duly authorized to sign the same.
6. The Register of Members of the Company will be closed from 2 May 2006 to 4 May 2006, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, HongKong for registration not later than 4:00 p.m. on 28 April 2006.