
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, 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.

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



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
Mr. Wang Ming You
Mr. Qian Wu

Independent non-executive directors:

Mr. Leung Wai Man, Roger
Mr. Ng Kwun Wan
Mr. Zhou Xiao Xiong

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P. O. Box 2681 GT
George Town
Grand Cayman
British West Indies

***Principal place of business
in Hong Kong:***

Offices 4-5, 15/F.,
Kwan Chart Tower,
No.6 Tonnochy Road,
Wanchai,
Hong Kong

27 September 2010

To the shareholders of the Company

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME

INTRODUCTION

On 23 August 2010, China Flavors and Fragrances Company Limited (the “**Company**”) announced that its board of directors (the “**Board**”) had resolved to recommend the payment of an interim dividend equivalent to HK\$0.01 per share (the “**Interim Dividend**”) to shareholders whose names appear on the register of members of the Company on 6 September 2010 (the “**Scrip Dividend Scheme**”) for the six months ended 30 June 2010 wholly in scrip form (“**Scrip Shares**”).

The register of members of the Company was closed from Monday, 6 September 2010 to Friday, 10 September 2010 (both dates inclusive). In order to establish entitlement to the Interim Dividend, all transfers, accompanied by the relevant share certificates, had to be lodged with the Company's share registrars for registration not later than 4:30pm on Friday, 3 September 2010.

The purpose of this circular is to set out the details of the Scrip Dividend Scheme.

DETAILS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, each shareholder of the Company (the "Shareholders") is entitled to receive the Interim Dividend by allotment and issue of Scrip Shares credited as fully paid up in lieu of cash.

Pursuant to the Articles of Association, the Board may recommend the Company to pay dividend wholly in the form of allotment of Shares credited as fully paid up without offering any right to the Shareholders to elect to receive such dividend in cash in lieu of such allotment.

For the purpose of calculating the number of Scrip Shares to be allotted pursuant to the Scrip Dividend Scheme, the market value of the Scrip Share has been fixed at HK\$1.94 per Share (the "**Average Closing Price**"), which is the average value of the closing prices per Share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the five consecutive trading days commencing from Monday, 13 September 2010. Accordingly, the number of Scrip Shares which the Shareholders are entitled to receive in respect of the Shares registered in their names on the Record Date will be calculated as follows:

$$\begin{array}{l} \text{Number of} \\ \text{Scrip Shares} \\ \text{to be received} \end{array} = \begin{array}{l} \text{Number of Shares} \\ \text{held on Record Date} \end{array} \times \frac{\text{HK\$0.01 (Interim Dividend per Share)}}{\text{HK\$1.94 (Average Closing Price)}}$$

Based on 484,389,000 Shares in issue as at the close of business on the Record Date, the number of Scrip Shares which fall to be issued under the Scrip Dividend Scheme will be 2,496,850 Shares, representing approximately 0.52% of the existing issued share capital of the Company and approximately 0.51% of the issued share capital of the Company as enlarged by the issue of Scrip Shares.

The Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Scrip Shares save that they will not be entitled to the Interim Dividend. The Scrip Shares to be issued to the Shareholders under the Scrip Dividend Scheme may be allocated in odd lots (of number less than a board lot of 2,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of Scrip Shares issued in odd lots. Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

The number of Scrip Shares to be allotted and issued will be rounded down to the nearest whole number of Scrip Shares and no Shareholder is entitled to be allotted and issued any fraction of a Share under the Scrip Dividend Scheme. Fractional entitlements to Scrip Shares will be aggregated and sold for the benefit of the Company.

SHAREHOLDERS RESIDENT OUTSIDE HONG KONG

Based on the register of members of the Company as at the Latest Practicable Date, no Shareholder had a registered address outside Hong Kong.

None of this circular nor Scrip Shares will be registered or filed under the securities laws or equivalent legislation of any jurisdiction outside Hong Kong. It is the responsibility of the Shareholder to satisfy himself/herself/itself as to full observance of the laws of any relevant territory, including obtaining any governmental or other consents which may be required for receiving Scrip Shares. In this respect, the Shareholders should consult their professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to receive Scrip Shares. No person resident in any territory outside Hong Kong and no person receiving in any territory outside Hong Kong a copy of this circular may treat the same as an invitation to him/her/it to subscribe for Scrip Shares unless in the relevant territory such invitation could lawfully be made to him/her/it without having to comply with any unfulfilled registration or other legal requirements.

For the avoidance of doubt, the Scrip Shares are not being offered to the public.

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Board considers that the Scrip Dividend Scheme is beneficial to both the Shareholders and the Company as it will give Shareholders the opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs and the Company to retain cash, which would otherwise have been paid to the Shareholders, for the use by the Company.

LISTING OF THE SCRIP SHARES AND DESPATCH OF THE SCRIP SHARES CERTIFICATES

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme.

Subject to the granting of the listing of, and permission to deal in, the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in Central Clearing and Settlement System (the "CCASS") with effect from the commencement date of dealings in the Scrip Shares on the Stock Exchange or such other date as determined by Hong Kong Securities Clearing Company Limited. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time

to time. Shareholders should seek the advice of their licensed securities dealer or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

No part of the Company's securities is listed or dealt in on any other stock exchange except the Stock Exchange, and no such listing or permission to deal is being, or is proposed to be sought.

Subject to the Scrip Shares being admitted to listing, it is expected that certificates for the Scrip Shares will be posted to the shareholders of the Company at their own risk on or about Friday, 29 October 2010. On this basis, dealings in the Scrip Shares are expected to commence on Tuesday, 2 November 2010.

EFFECT ON SCRIP DIVIDEND SCHEME

Shareholders should note that the allotment and issue of Scrip Shares under the Scrip Dividend Scheme may give rise to disclosure requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

The Shareholders who are trustees are recommended to seek professional advice as to whether it is within their powers to receive Scrip Shares and as to its effect having regard to the terms of the relevant trust instrument.

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