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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.

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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)**

- (1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
(2) RE-ELECTION OF DIRECTORS;  
(3) SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND  
FOR THE YEAR ENDED 31 DECEMBER 2011;  
AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

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A notice dated 10 April 2012 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 Empire Room 1, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on 18 May 2012 at 3:00 p.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 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 2012

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## DEFINITIONS

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

“2011 Final Dividend”	the final dividend of HK\$0.08 per Share for the year ended 31 December 2011 payable to the Shareholders whose names were recorded on the register of members of the Company on Record Date;
“AGM”	the annual general meeting of the Company to be convened at Empire Room 1, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on 18 May 2012 at 3:00 p.m.;
“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;
“Extension Mandate”	a general and unconditional mandate proposed to be granted to the Directors to the effect that any Shares repurchased under the Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Share Issue Mandate;
“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”	2 April 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Record Date”	Wednesday, 23 May 2012;
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to enable them to repurchase Shares on the Stock Exchange up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the AGM;
“Scrip Dividend Scheme”	a scheme of the Company under which the 2011 Final Dividend is to be wholly paid up by the allotment and issue of Scrip Shares credited as fully paid in lieu of cash;
“Scrip Shares”	new Shares to be allotted, issued and credited as fully paid up under the Scrip Dividend Scheme;
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Share Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the AGM;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers.

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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  
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:***

Room 2101-02, 21/F.  
Wing On House  
71 Des Voeux Road  
Central  
Hong Kong

10 April 2012

*To Shareholders*

Dear Sir or Madam,

- (1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
(2) RE-ELECTION OF DIRECTORS;  
(3) SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND  
FOR THE YEAR ENDED 31 DECEMBER 2011;  
AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

### **INTRODUCTION**

The purpose of this circular is to provide you with information in respect of the ordinary resolutions to be proposed at the AGM for the approval of (a) the Share Issue Mandate; (b) the Repurchase Mandate; (c) the Extension Mandate; (d) details of the Scrip Dividend Scheme; and (e) the re-elections of Directors. 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 15 to page 18 to this circular.

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## LETTER FROM THE BOARD

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### GRANT OF SHARE ISSUE MANDATE, REPURCHASE MANDATE AND EXTENSION MANDATE

Pursuant to the ordinary resolutions passed by the then Shareholders at the last annual general meeting of the Company held on 13 May 2011, the Directors were granted (a) a general unconditional mandate to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of the relevant ordinary resolution; (b) a general unconditional mandate to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of the relevant ordinary resolution; and (c) the power to extend the general mandate mentioned in (a) above by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to the mandate to purchase or repurchase Shares referred to in (b) above.

The above mandates will expire at the conclusion of the AGM. At the AGM, the following resolutions, among other matters, will be proposed:

- (a) to grant the Share Issue Mandate to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution;
- (b) to grant the Repurchase Mandate to the Directors to enable them to repurchase Shares on the Stock Exchange up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution; and
- (c) to grant the Extension Mandate to the Directors to increase the total number of Shares which may be allotted and issued under the Share Issue Mandate by an additional number representing such number of Shares repurchased under the Repurchase Mandate.

As at the Latest Practicable Date, the issued share capital of the Company comprised 509,373,936 Shares. On the basis that no further Shares are repurchased or issued prior to the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 50,937,393 Shares and under the Share Issue Mandate to issue a maximum of 101,874,787 Shares, representing 10% and 20% of the issued Shares as at the Latest Practicable Date respectively.

Each of the Share Issue Mandate, the Repurchase Mandate and the Extension Mandate will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company following the AGM; (b) the date by which the next annual general meeting is required to be held under the Articles or any applicable laws of the Cayman Islands or the Listings Rules; or (c) when the authority given to the Directors thereunder is revoked or varied by ordinary resolution(s) of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

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## LETTER FROM THE BOARD

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The Directors wish to state that they have no immediate plans to allot and issue any new Shares other than such Shares which may fall to be allotted and issued upon the exercise of any options granted under the share option scheme of the Company.

An explanatory statement containing all relevant information relating to the proposed Repurchase Mandate is set out in the Appendix to this circular. The explanatory statement provides 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, Mr. Li Qing Long, Mr. Wang Ming You and Mr. Qian Wu and the independent non-executive Directors are Mr. Leung Wai Man, Roger, Mr. Ng Kwun Wan and Mr. Zhou Xiao Xiong.

Pursuant to Article 87(1) of the Company's Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting. Accordingly, Mr. Li Qing Long, Mr. Leung Wai Man, Roger, Mr. Zhou Xiao Xiong and Mr. Ng Kwun Wan will retire at the AGM, and who being eligible, offer themselves for re-election.

The biographical details of all the retiring Directors are as follows:

**Mr. Li Qing Long** ("Mr. Li"), aged 51, is an executive director. Mr. Li has more than 20 years of research and development ("R&D") 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 R&D 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 has not previously held any position with the Company or any of its subsidiaries and has not been a director in any other listed company in the past 3 years.

As at the Latest Practicable Date, Mr. Li does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Li has entered into a service contract with the Company for a term of 3 years, commencing from 9 December 2010 and is subject to retirement by rotation and re-election in accordance with the Articles. Mr. Li is entitled to an annual salary of HK\$1,200,000 which is determined on the basis of his relevant experience, responsibility, workload and time devoted to the Group.

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## LETTER FROM THE BOARD

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**Mr. Leung Wai Man, Roger** (“Mr. Leung”), aged 55, is an independent non-executive director and a member of the audit committee of the Company. Mr. Leung obtained a bachelor’s degree of laws from The University of Hong Kong in 1981. Mr. Leung also obtained a bachelor’s degree of laws from The University of Western Ontario, Canada in 1990. He has been a practising solicitor in Hong Kong since 1984 and is now a partner of a law firm. Mr. Leung was 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 served as a member of the Board of Review (Inland Revenue Ordinance) from 1997 to 2005 and has been serving as an appointed Attesting Officer in the PRC since January 2003. Mr. Leung is currently an independent non-executive director and a member of the audit committee of Hi Sun Technology (China) Limited (Stock Code: 818), 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, and integration services, and information technology value-added services.

Save as disclosed above, Mr. Leung has not previously held any position with the Company or any of its subsidiaries and has not been a director in any other listed company in the past 3 years.

As at the Latest Practicable Date, Mr. Leung does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Leung has entered into a service contract with the Company for a term of 2 years, commencing from 9 December 2011 and is subject to retirement by rotation and re-election in accordance with the Articles. The director’s fee is HK\$150,000 per annum. Save and except the aforesaid 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. Ng Kwun Wan** (“Mr. Ng”), aged 48, is an independent non-executive director of the Company. He is an associate member of the Hong Kong Society of Accountants and an associate member of the Australian Society of Certified Public Accountants. He obtained his bachelor degree in Accounting and Finance from the University of Manchester and master degree in professional accounting from the University of New South Wales. Mr. Ng has over 16 years experience in the accounting and finance industry with expertise in direct investment in industrial, infrastructure and property projects. Being the general manager of Tianjin Region of South China (China) Limited (Stock Code: 413), a listed company on the Stock Exchange, since 2006, Mr. Ng has enormous experience in direct investment in enterprises in the PRC. From 1998 to 2004, Mr. Ng was the deputy general manager of New World China Enterprises Projects Limited, a wholly owned subsidiary of New World Development Company Limited (Stock Code: 17), and participated in the initial public offering of New World Infrastructure Co Ltd in 1997.

Save as disclosed above, Mr. Ng has not previously held any position with the Company or any of its subsidiaries and has not been a director in any other listed company in the past 3 years.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Mr. Ng does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng has entered into a service contract with the Company for a term of 2 years, commencing from 9 December 2011 and is subject to retirement by rotation and re-election in accordance with the Articles. The director's fee is HK\$150,000 per annum. Save and except the aforesaid Director's fee, Mr. Ng 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 51, is an independent non-executive director and a member of the audit committee of the Company. Mr. Zhou obtained a bachelor's degree in 經濟信息管理系 (Economic Information Management) and a master 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 obtained a master degree in Master of Business Administration from 清華大學 (Qing Hua University) in 2008. 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 中山證券有限責任有限公司 (Zhongshan Securities Company Limited) and had approximately 21 years of experience in the fields of financial services and investment banking.

Save as disclosed above, Mr. Zhou has not previously held any position with the Company or any of its subsidiaries and has not been a director in any other listed company in the past 3 years.

As at the Latest Practicable Date, Mr. Zhou does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Zhou has entered into a service contract with the Company for a term of 2 years, commencing from 9 December 2011 and is subject to retirement by rotation and re-election in accordance with the Articles. The director's fee is HK\$150,000 per annum. Save and except the aforesaid 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.

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.

### SCRIP DIVIDEND SCHEME

On 23 March 2012, the Board announced the audited consolidated results of the Group for the year ended 31 December 2011 and recommended the payment of the 2011 Final Dividend which is payable in scrip form equivalent to HK\$0.08 per Share without a cash option to the Shareholders whose name appear on the Company's register of members as at the Record Date.

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## LETTER FROM THE BOARD

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### Particulars of Scrip Dividend Scheme

Under the Scrip Dividend Scheme, each Shareholder is entitled to receive the 2011 Final Dividend by the 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 satisfy scrip dividend wholly in the form of an 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 to the Shareholders pursuant to the Scrip Dividend Scheme, the market value of a Scrip Share will be calculated on the basis of the average closing price per Share (“**Average Closing Price**”) for the 5 consecutive trading days from Thursday, 24 May 2012 up to and including Wednesday, 30 May 2012 and rounding down such figure to four decimal places. Accordingly, it will not be possible to determine until after the close of business on Wednesday, 30 May 2012 the exact number of Scrip Shares that the Shareholders will be entitled. The number of Scrip Shares which the Shareholders will receive in respect of the existing Shares registered in their names as at the Record Date will be calculated as follows:

$$\begin{array}{r} \text{Number of Scrip} \\ \text{Shares to be received} \end{array} = \begin{array}{r} \text{Number of existing} \\ \text{Shares held on} \\ \text{the Record Date} \end{array} \times \frac{\text{HK\$0.08}}{\text{Average Closing} \\ \text{Price per share}}$$

Scrip Shares will rank pari passu in all respects with the existing issued Shares, and will rank in full for all future dividends and distribution which may be declared, made or paid (except for the 2011 Final Dividend).

The number of Scrip Shares to be issued to the Shareholders will be rounded down to the nearest whole number. Fractional entitlements to Scrip Shares will be disregarded and the benefit thereof will accrue to the Company.

The Company will make an announcement setting out the basis of allotment of Scrip Shares on or about Wednesday, 30 May 2012.

Odd lots of Shares may arise out of the distribution of Scrip Shares. However, as the reason behind the Scrip Dividend Scheme is for the Shareholders to increase its investment in the Company and not to encourage the Shareholders to sell Scrip Shares immediately after its distribution, the Company will not appoint any agent to facilitate the trading of odd lots of Shares after the distribution of Scrip Shares.

### Closure of Register of Members

The register of members of the Company will be closed from Thursday, 24 May 2012 to Wednesday, 30 May 2012, both days inclusive. In order to qualify for the proposed 2011 Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the

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## LETTER FROM THE BOARD

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Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 23 May 2012.

### **Effect of Scrip Dividend Scheme**

The Shareholders should note that Scrip Shares may give rise to notification requirements under Part XV of the SFO. If the Shareholders are in any doubt as to how these provisions may affect them or as to their taxation position, they are recommended to consult their own professional advisers.

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.

Whether or not it is to your advantage to receive Scrip Shares depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are the responsibility of each Shareholder. If you are in any doubt as to what to do, you are recommended to consult your own professional advisers.

### **Advantages of Scrip Dividend Scheme**

The Scrip Dividend Scheme will give the Shareholders an opportunity to increase their investment in the Company without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also benefit the Company to the extent that the Shareholders shall receive Scrip Shares in whole in lieu of a cash dividend, and the profit of the Company will be retained for use as working capital by the Company.

### **Overseas Shareholders**

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 any 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, Scrip Shares are not being offered to the public.

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## LETTER FROM THE BOARD

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### **Listing and Dealings**

The Shares are listed and dealt in on the Stock Exchange. No part of the Company's securities is listed or dealt in on any other stock exchange, nor is listing or permission to deal on any other exchange being or proposed to be sought.

Application has been made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, Scrip Shares. It is expected that the share certificates for Scrip Shares will be posted to the Shareholders at the risk of those entitled thereto on or about Thursday, 28 June 2012. Dealings in Scrip Shares on the Stock Exchange are expected to commence on or about Friday, 29 June 2012.

Subject to the granting by the Listing Committee of the Stock Exchange the listing of, and permission to deal in, Scrip Shares 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 the Central Clearing and Settlement System. The 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.

Scrip Shares to be issued to the Shareholders may be allocated in odd lots. 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. The Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

### **Conditions of Scrip Dividend Scheme**

The Scrip Dividend Scheme are conditional upon (1) the passing of an ordinary resolution to approve the 2011 Final Dividend at the AGM to be satisfied wholly by way of scrip dividend; and (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, Scrip Shares.

### **Expected Timetable for the Scrip Dividend Scheme**

Closure of Register of Members for AGM . . . . .	Monday, 14 May 2012 to Friday, 18 May 2012
AGM to approve the payment of the 2011 Final Dividend . . . . .	Friday, 18 May 2012
Closure of Register of Members for Final Dividend . . . . .	Thursday, 24 May 2012 to Wednesday, 30 May 2012
Record Date of Final Dividend . . . . .	Wednesday, 23 May 2012
Announcement setting out the basis of allotment of Scrip Shares . . . . .	on or about Wednesday, 30 May 2012

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## LETTER FROM THE BOARD

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Despatch of Share certificates for Scrip Shares

to all the Shareholders .....Thursday, 28 June 2012

Commencement of dealings in Scrip Shares .....Friday, 29 June 2012

### THE AGM AND PROXY ARRANGEMENT

A notice convening the AGM to be held at Empire Room 1, Empire Hotel Hong Kong, 33 Hennessy Road, Wan Chai, Hong Kong on 18 May 2012 at 3:00 p.m. is set out on pages 15 to 18 of this circular. All the resolutions set out in the notice of the AGM will be decided by poll in accordance with the Listing Rules.

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.

### 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*

*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 is 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 granting the Repurchase Mandate.

As at the Latest Practicable Date, the Company has 509,373,936 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 50,937,393 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.

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

Any repurchase 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 2011 (being the date of its latest audited accounts), the Directors consider that there would not be a 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 repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purpose of 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.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Creative China Limited, being the controlling shareholder of the Company, held 301,244,709 Shares representing approximately 59.14% 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 of Creative China Limited in the Company would be increased to approximately 65.71% 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**

No purchase of Shares has been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

**3. SHARE PRICES**

The highest and lowest prices at which the Shares of the Company have been traded on the Stock Exchange during each of the previous twelve months were as follows:

<b>Month</b>	<b>Per Share</b>	
	<b>Highest (HK\$)</b>	<b>Lowest (HK\$)</b>
<b>2011</b>		
April	1.90	1.80
May	1.89	1.60
June	1.80	1.45
July	1.77	1.57
August	1.55	1.12
September	1.30	0.96
October	1.50	0.94
November	1.30	1.22
December	1.55	1.32
<b>2012</b>		
January	1.61	1.35
February	1.62	1.50
March	1.65	1.40
April ( <i>Note</i> )	1.65	1.50

*Note:* 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 中國香精香料有限公司 (the “**Company**”) will be held at Empire Room 1, Empire Hotel Hong Kong, 33 Hennessy Road, Wan Chai, Hong Kong on 18 May 2012 at 3:00 p.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 2011.
2. To re-elect the retiring Directors (whose particulars are stated in the circular of the Company dated 10 April 2012) and to authorize the board of directors to fix the directors’ remuneration.
3. To re-appoint the Company’s auditors and to authorize the board of directors to fix the remuneration of the auditors.
4. To approve the declaration of a final dividend for the year ended 31 December 2011 to be satisfied wholly by way of scrip dividend.

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**

5. (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;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (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 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 for 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 or 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).”

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## NOTICE OF ANNUAL GENERAL MEETING

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(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;
- (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.”

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 2012

*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, Mr. Wang Ming You and Mr. Qian Wu; and the independent non-executive directors of the Company are Mr. Leung Wai Man, Roger, Mr. Ng Kwun Wan 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 instead of him. 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 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, Hong Kong.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorized.
4. 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.
5. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, then one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holder stand on the register in respect of the relevant joint holding.
6. 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.
7. The Register of Members of the Company will be closed from 14 May 2012 to 18 May 2012, 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, Hong Kong for registration not later than 4:00 p.m. on 11 May 2012.