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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)

CLARIFICATION ANNOUNCEMENT

CLARIFICATION

Reference is made to the Company's announcement dated 16 July 2012 in relation to the re-designation of Mr. Wang Ming You from an executive director to a non-executive director of the Company.

The Board wishes to clarify that Mr. Wang Ming You has disagreement with the Board in relation to his Re-designation and reserves his right to take legal action against the Company in relation thereto.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:16 a.m. on 23 July 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 1 August 2012.

CLARIFICATION

Reference is made to the announcement (the "**Announcement**") of China Flavors and Fragrances Company Limited (the "**Company**") dated 16 July 2012 in relation to the re-designation of Mr. Wang Ming You from an executive director to a non-executive director of the Company (the "**Re-designation**"). It was stated in the Announcement that Mr. Wang has confirmed that he has no disagreement with the Board.

The board of directors (the "**Board**") of the Company wishes to announce that the legal adviser of Mr. Wang Ming You and Mr. Wong Ming Bun (a brother of Mr. Wang Ming You and Mr. Wang Ming Fan and an executive director of the Company) sent a letter (the "**First Letter**") on 20 July 2012 to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and copied the Board in relation to the Re-designation and other matters. On the same date, the said legal adviser also sent a letter (the "**Second Letter**") to the Board of similar content. Details of the First Letter and the Second Letter (together, the "**Letters**") are discussed below.

Re-designation

The Board noted from the Letters that Mr. Wang Ming You had not confirmed that he has no disagreement with the Board in relation to the Re-designation and Mr. Wang Ming You intends to exercise his right against the Company in terminating his executive services to the Company without proper notice nor consultation. In particular, the Second Letter alleged that the Company was in breach of its obligations to give proper notice.

In light of the Letters, the Board wishes to clarify the disclosure in the Announcement and state that Mr. Wang Ming You has disagreement with the Board in relation to his Re-designation. The Company is of the view that the Company did not commit any breach and proper notice had been given to convene the meeting of the board of directors of the Company on 13 July 2012 to consider the Re-designation (the “**Meeting**”). The said notice was given in compliance with the Company’s Articles of Association. Mr. Wang Ming You has had the opportunity to consider his position and seek consultation, if necessary. The Meeting was held with all the directors of the Company physically present, which by conduct signified their consent to the notice period. No issue or objection as to the notice requirement and consultation were raised prior to or during the Meeting and the resolutions were duly passed with the necessary quorum and vote.

Furthermore, prior to issuing the Announcement, the Company had sent the draft Announcement to Mr. Wang Ming You for his comment and informed him of the proposed timeline for issuing the Announcement. The draft Announcement contained the statement of Mr. Wang Ming You “has confirmed that he has no disagreement with the Board”, but the Company did not receive any comment on this statement until the Letters conveying the contrary view were received after the Announcement was issued.

Internal Control of Shenzhen Boton Flavors and Fragrances Company Limited (“SZ Boton”)

The First Letter stated that Mr. Wang Ming You and Mr. Wong Ming Bun believed the Re-designation was resulted from their seeking of review of the lack of internal control and transparency in the use of funds of SZ Boton, a major operating subsidiary of the Company.

Allegation was made in the First Letter that Mr. Wang Ming Fan (a director of the Company) has sole control over the accounts of SZ Boton, which is not a proper corporate governance practice. It was also alleged that Mr. Wang Ming Fan in convening the Meeting to re-designate Mr. Wang Ming You was purportedly for misconduct in interfering with the operations of SZ Boton.

The Board wishes to clarify that Mr. Wang Ming Fan does not have the sole control over the accounts of SZ Boton and the use of funds of SZ Boton is transparent. The accounts of SZ Boton is controlled with reference to a set of internal control procedures as contained in the manual of SZ Boton (the “**Manual**”) which was duly signed by the relevant management of SZ Boton. The Manual specifies that (i) any expenses over RMB3 million must be approved by Mr. Wang Ming You, as the representative of SZ Boton’s board of directors; (ii) any research and development and selling expenses within the range of RMB0.1 million to RMB3 million must be approved by the designated department head and countersigned by Mr. Wang Ming Fan; and (iii) any other expenses (besides research and development and selling expenses) within the range of RMB0.1 million to RMB3 million must be approved by Mr. Wang Ming You and countersigned by Mr. Wang Ming Fan.

Pursuant to the terms of the Manual, no person has sole control over the accounts of SZ Boton and the use of funds is transparent among the senior management of SZ Boton. To the best knowledge and belief of the Company, the accounts of SZ Boton have been maintained in accordance with the Manual and there has not been any reported misappropriation of funds in SZ Boton.

In the Second Letter, it was alleged that Mr. Wang Ming You believed he was removed improperly so to prevent him from performing his duties as a director of the Company, because the Company and the Board were aware, Mr. Wang Ming You and Mr. Wong Ming Bun were investigating financial irregularities in the Company and its subsidiaries (the “**Group**”) prior to the Re-designation.

The Board wishes to clarify that the Board is not aware of Mr. Wang Ming You and Mr. Wong Ming Bun conducting any investigation in the Group and the Board does not know the basis of their investigation. To the best knowledge and belief of the Board, there is no financial irregularity in any member of the Group. As at the date of this announcement, the operation, management and internal control of the Group are effective. The Board will consider taking relevant legal action against the relevant matters, if necessary.

Potential legal action by Mr. Wang Ming You

It was noted from the Letters that Mr. Wang Ming You reserved his right to take legal actions against the Company for improper termination.

The Board wishes to clarify that the Re-designation was resulted from Mr. Wang Ming You seizing the finance chop of SZ Boton (the “**Chop**”) without proper authority on 2 July 2012. In seizing the Chop, Mr. Wang Ming You has injured a staff of SZ Boton and the incident was reported to the police of the People’s Republic of China. Despite repeated demands, the Chop has not been returned to SZ Boton as at the date of this announcement.

The seizing of Chop has caused temporary adverse impact on the operation of SZ Boton but the operation has been duly restored as at the date of this announcement after the necessary procedures have been promptly taken with the banks and relevant authorities.

If Mr. Wang Ming You takes legal action against the Company in relation to the Re-designation, the Company will vigorously defend the case. The Company also reserves its right to take legal action against Mr. Wang Ming You for his acts.

The Board is of the view that all the allegations stated in the Letters were unsubstantiated.

The content of this announcement was approved by all the directors of the Company save and except Mr. Wang Ming You and Mr. Wong Ming Bun, who have expressed that their disagreement with the content herein. Accordingly, the meaning of the “Board” in this announcement shall be construed as all the directors of the Company to the exclusion of Mr. Wang Ming You and Mr. Wong Ming Bun.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company (the “**Shares**”) on the Stock Exchange was suspended from 9:16 a.m. on 23 July 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 1 August 2012.

By order of the Board
China Flavors and Fragrances Company Limited
中國香精香料有限公司
Wang Ming Fan
Director

Hong Kong, 31 July 2012

As at the date of this announcement, the executive directors of the Company are Mr. Wong Ming Bun, Mr. Wang Ming Fan, Mr. Li Qing Long and Mr. Qian Wu; the non-executive director of the Company is Mr. Wang Ming You; and the independent non-executive directors of the Company are Mr. Leung Wai Man, Roger, Mr. Ng Kwun Wan and Mr. Zhou Xiao Xiong.