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

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or other 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 with the accompanying proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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.

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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 2014;  
(4) ADOPTION OF NEW SHARE OPTION SCHEME AND  
TERMINATION OF EXISTING SHARE OPTION SCHEME;  
AND  
(5) NOTICE OF ANNUAL GENERAL MEETING**

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A notice dated 2 April 2015 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 8 May 2015 at 3:00 pm 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.hkexnews.hk](http://www.hkexnews.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.

2 April 2015

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## DEFINITIONS

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

“2014 Final Dividend”	the final dividend of HK\$0.03 per Share for the year ended 31 December 2014 payable to the Shareholders whose names were recorded on the register of members of the Company on Record Date
“Adoption Date”	8 May 2015, the date on which the New Share Option Scheme was conditionally approved and adopted by the Company at the AGM
“AGM”	the annual general meeting of the Company to be held at Empire Room 1, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong on 8 May 2015 at 3:00 pm
“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
“Business Day”	has the meaning ascribed to it under the Listing Rules
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Employee(s)”	any employee (whether full time or part time) of the Company, any Subsidiary or any Invested Entity
“Eligible Participant(s)”	the persons to whom the Directors may extend an Offer to take up Options as referred to in paragraph 2 in Appendix II, and “Eligible Participants” shall be construed accordingly
“Existing Share Option Scheme”	the share option scheme adopted by the Company and became effective on 25 November 2005

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## DEFINITIONS

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“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
“Grantee(s)”	any Eligible Participant who accepts an Offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) his Personal Representative
“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 PRC
“Invested Entity(ies)”	any entity in which the Group holds at least 20% of its issued share capital
“Latest Practicable Date”	27 March 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Matching Agent”	Sun Hung Kai Investment Services Limited 新鴻基投資服務有限公司
“New Share Option Scheme”	the new share option scheme which is proposed to be adopted by the Company at the AGM, the principal terms of which are set out in the Appendix II to this circular
“Offer”	an offer for the grant of an Option made by the Company
“Offer Date”	the date, which must be a Trading Day, on which an Offer is made to an Eligible Participant
“Option”	an option to subscribe for the Shares granted pursuant to the New Share Option Scheme

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## DEFINITIONS

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“Option Period”	in respect of any particular Option, a period to be determined by the Directors in its absolute discretion and notified to the Grantee during which the Option may be exercised and in any event, such period shall not exceed 10 years from the Offer Date subject to the provisions for early termination contained in the Offer and the New Share Option Scheme, and provided that the Directors may in its discretion determine the minimum period for which an Option has to be held or other restrictions before the exercise of the subscription right attaching thereto
“Other Scheme(s)”	other than the New Share Option Scheme, all the schemes including the Existing Share Option Scheme involving the grant by the Company or any of the Subsidiaries of options over securities of the Company or any of the Subsidiaries to, or for the benefit of, specified participants of such schemes or any arrangement involving the grant of Options to participants over securities of the Company or any of the Subsidiaries which, in the opinion of the Stock Exchange, is analogous to a share option scheme as described in Chapter 17 of the Listing Rules
“Personal Representative(s)”	the person or persons who, by virtue of the laws of succession applicable in respect of the death of a Grantee (being an individual), is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised)
“PRC”	the People’s Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Record Date”	20 May 2015
“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 2014 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

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity 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) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option, subject to paragraph 3 in Appendix II
“Subsidiary(ies)”	a subsidiary within the meaning of the Listing Rules for the time being of the Company whether incorporated in Hong Kong
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“%”	per cent

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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. Wang Ming Fan (*Chairman*)  
Mr. Li Qing Long  
Mr. Qian Wu

*Independent Non-Executive Director:*

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 2102-02, 21/F  
Wing On House  
71 Des Voeux Road Central  
Central  
Hong Kong

2 April 2015

*To the 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 2014;**  
**(4) ADOPTION OF NEW SHARE OPTION SCHEME AND**  
**TERMINATION OF EXISTING SHARE OPTION SCHEME;**  
**AND**  
**(5) NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide Shareholders with information in respect of the 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) the re-elections of Directors; (e) details of the Scrip Dividend Scheme; and (f) the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme.

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## LETTER FROM THE BOARD

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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 AGM-1 to page AGM-5 of this circular.

### **2. 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 9 May 2014, 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 628,783,885 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 62,878,388 Shares and under the Share Issue Mandate to issue a maximum of 125,756,777 Shares, representing 10% and 20% of the issued Shares as at the Latest Practicable Date respectively.



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## LETTER FROM THE BOARD

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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.

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 Existing 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 I 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.

### 3. PROPOSED RE-ELECTION OF DIRECTORS

As at the date of this circular, the executive Directors are Mr. Wang Ming Fan, Mr. Li Qing Long 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 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 54, has been an executive director of the Company since April 2005. 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 now holds directorship in some subsidiaries of the Group, in particular, he is a director and a vice president of Shenzhen Boton Spice Company Limited. Mr. Li is responsible for the R&D and production of flavours and fragrances of the Group. He graduated from Shanghai Light Industry Professional School (上海輕工業專科學校) in 1982 with a major in organic synthesis process (有機合成工藝). Prior to joining the Group, he worked in Shanghai Flavor and Fragrance Factory (上海日用香精廠) 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.

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## LETTER FROM THE BOARD

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Mr. Li has entered into a service contract with the Company for a term of 3 years, commencing from 9 December 2005 which shall continue thereafter until terminated by either party giving not less than 3 months' notice in writing to the other party. He 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.

**Mr. Ng Kwun Wan** (“**Mr. Ng**”), aged 51, has been an independent non-executive director of the Company since December 2009. Mr. Ng obtained the Bachelor of Arts in Accounting and Finance from the Manchester Polytechnic in 1988 and the Master of Commerce majoring in Accounting from the University of New South Wales in 1990. Mr. Ng has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1993. Mr. Ng has over 20 years of experience in the accounting and finance industry. From November 1994 to August 2004, Mr. Ng worked for New World Development (China) Limited and New World China Enterprises Projects Limited, both wholly owned subsidiaries of New World Development Company Limited (Stock Code: 17), and his last position was deputy general manager. From September 2006 to March 2009, he worked as the general manager of industrial operations in real estate department of Smart Faith Management Limited.

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.

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 renewed his service agreement with the Company for a term of 2 years, commencing from 9 December 2013 and is subject to retirement by rotation and re-election in accordance with the Articles. The director fee is HK\$150,000 per annum. Save and except the aforesaid director fee, Mr. Ng 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.

#### **4. SCRIP DIVIDEND SCHEME**

On 20 March 2015, the Board announced the audited consolidated results of the Group for the year ended 31 December 2014 and recommended the payment of the 2014 Final Dividend which is payable in scrip form equivalent to HK\$0.03 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 2014 Final Dividend by the allotment and issue of Scrip Shares credited as fully paid up in lieu of cash. The cash which would otherwise have been paid to the Shareholders will be retained for use as working capital by the Company and therefore, the Scrip Dividend Scheme would enhance the Group's continuous growth, maintain the financial stability and reduce the financing costs of the Group. In light of the above, the Group does not offer a right to the Shareholders to elect for cash dividend in lieu of the allotment of the Scrip Shares.

Pursuant to the Articles, 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 14 May 2015 up to and including 20 May 2015 and rounding down such figure to four decimal places. Accordingly, it will not be possible to determine until after the close of business on 20 May 2015 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:

$$\begin{array}{rcccl} \text{Number of Scrip} & & \text{Number of existing} & & \text{HK\$0.03} \\ \text{Shares to be} & = & \text{Shares held on the} & \times & \hline \text{received} & & \text{Record Date} & & \text{Average Closing} \\ & & & & \text{Price per share} \end{array}$$

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 2014 Final Dividend).

The number of Scrip Shares to be issued to the Shareholders will be rounded down to the nearest whole number. No cash in lieu of fractional entitlements to Scrip Shares will be paid to the Shareholders as the Company considers that it is not cost effective to do so after taking into account the amounts of fractional entitlements in cash and the administrative expenses that will be incurred. As such, the fractional entitlements to the Scrip Shares will be disregarded and benefit thereof will accrue to the Company.

The Company will make an announcement setting out the basis of allotment of Scrip Shares on 20 May 2015.

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## LETTER FROM THE BOARD

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### **Arrangement of odd lot trading**

Odd lots of Shares (of fewer than a board lot of 2,000 Shares) may arise out of the distribution of Scrip Shares. In order to facilitate the trading of odd lots (if any) of the Shares, the Company has appointed the Matching Agent to provide matching service, on a best effort basis, to the Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares.

Holders of the Shares in odd lots who wish to take advantage of this matching facility either to dispose of their odd lots of Shares or to top up to board lots of 2,000 Shares, may contact Mr. Vico Wong of Sun Hung Kai Investments Services Limited at 42/F., The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong at telephone number 852-3929 6216 during office hours. The Shareholders should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

The Matching Agent is an independent third party not connected with any of the Directors, chief executive of the Company, or substantial Shareholders or any of the Company's subsidiaries or their respective associates.

### **Closure of Register of Members**

The register of members of the Company will be closed from 15 May 2015 to 20 May 2015, both days inclusive. In order to qualify for the proposed 2014 Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East Hong Kong no later than 4:30pm on 14 May 2015.

### **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.

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## LETTER FROM THE BOARD

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### **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. The Directors therefore consider that the Scrip Dividend Scheme is in the best interests of the Company and the Shareholders as a whole as it will enable the Shareholders to further participate in the equity capital of the Company and the Company to retain cash for its operation.

### **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.

### **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 will be 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 10 June 2015. Dealings in Scrip Shares on the Stock Exchange are expected to commence on 11 June 2015.

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

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## LETTER FROM THE BOARD

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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 is conditional upon (1) the passing of an ordinary resolution to approve the 2014 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 . . . . .	Tuesday, 5 May 2015 to Friday, 8 May 2015 (both days inclusive)
AGM to approve the payment of the 2014 Final Dividend. . . . .	Friday, 8 May 2015
Closure of Register of Members for the 2014 Final Dividend. . . . .	Friday, 15 May 2015 to Wednesday, 20 May 2015 (both days inclusive)
Record Date of the 2014 Final Dividend. . . . .	Wednesday, 20 May 2015
Announcement setting out the basis of allotment of Scrip Shares. . . . .	Wednesday, 20 May 2015
Despatch of Share certificates for Scrip Shares to all the Shareholders. . . . .	Wednesday, 10 June 2015
Commencement of dealings in Scrip Shares . . . . .	9:00 a.m. on Thursday, 11 June 2015
First date for the Matching Agent to acquire or sell the odd lots of Shares . . . . .	9:00 a.m. on Thursday, 11 June 2015
Last date for the Matching Agent to acquire or sell the odd lots of Shares . . . . .	4:00 p.m. on Friday, 10 July 2015

Dates and times specified in the above timetable are Hong Kong dates and times.

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## LETTER FROM THE BOARD

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The above timetable is indicative only and may be varied by the Company. Further announcement will be made by the Company on any consequential changes to the expected timetable as and when necessary and appropriate.

### 5. ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME

#### **Existing Share Option Scheme**

As the Existing Share Option Scheme will expire on 24 November 2015, the Board considers that it is in the interest of the Company to adopt the New Share Option Scheme so as to continue to provide incentives to the Eligible Participants thereunder and to recognize and motivate the contribution the Eligible Participants have made or may make to the Group. Apart from the Existing Share Option Scheme, the Company had no Other Scheme as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding share options granted under the Existing Share Option Scheme.

#### **Termination of Existing Share Option Scheme**

Under the terms of the Existing Share Option Scheme, the Company may at any time by resolution in general meeting terminate the operation of the Existing Share Option Scheme. It is proposed that the Existing Share Option Scheme is to be terminated upon the adoption of the New Share Option Scheme subject to the approval of the Shareholders. Upon termination of the Existing Share Option Scheme, no further Options can be offered thereunder but the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

#### **New Share Option Scheme**

##### *Purposes*

The New Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interest in the Company with the view to achieving the following principal objectives:

- (a) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.

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## LETTER FROM THE BOARD

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A resolution will be proposed at the AGM to approve the adoption of the New Share Option Scheme.

Assuming that there is no further change in the issued share capital of the Company between the period from the Latest Practicable Date to the Adoption Date, the number of Shares issuable pursuant to the New Share Option Scheme on the Adoption Date will be 62,878,388 Shares.

The Directors consider that it is not meaningful to speculate value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, exercise period and lock-up period (if any).

So far as the Directors are aware of, as at the Latest Practicable Date, none of the Shareholders is required to abstain from voting for the ordinary resolution to approve the adoption of the New Share Option Scheme. No Directors are trustees of the New Share Option Scheme or have a direct or indirect interest in the trustees (if any) of the New Share Option Scheme.

Given the Board is entitled to impose any conditions, restrictions or limitations as it may think fit (including the minimum period for which the Options must be held and the performance targets that must be achieved before the Options can be exercised) when making an Offer on a case-by-case basis, and that the exercise price of an Option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be determined by the Directors, it is expected that Grantees will make an effort to contribute to the development of the Group so as to bring increases in market price of the Shares in order to capitalise on the benefits of the Options granted. This will enhance the Group's capability to attract, retain and motivate talented Participants to strive for future development and expansion of the Group. For the avoidance of doubt, unless otherwise determined by the Board, there is no minimum period for which an Option must be held before it can be exercised.

### **Conditions Precedent of New Share Option Scheme**

The adoption of the New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the AGM to (i) terminate the Existing Share Option Scheme; (ii) approve and adopt the New Share Option Scheme; (iii) authorize the Directors to grant Options under the New Share Option Scheme; and (iv) authorize the Directors to allot and issue Shares which may be issued upon exercise of the Options granted under the New Share Option Scheme; and



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## LETTER FROM THE BOARD

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- (b) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of Options granted under the New Share Option Scheme in respect of up to 10% of the Shares in issue as at the Adoption Date.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix II to this circular on pages II-1 to II-10. A copy of the rules of the New Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at Room 2101-02, 21/F, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong during normal business hours from the date of this circular to and including the date of the AGM and at the AGM.

### **Application for listing**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

## **6. THE AGM AND PROXY ARRANGEMENT**

A notice convening the AGM to be held at Empire Room1, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong, on 8 May 2015 at 3:00 pm is set out on pages AGM-1 to AGM-5 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 ([www.hkexnews.hk](http://www.hkexnews.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 branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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.

## **7. VOTING BY WAY OF POLL**

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolutions at the AGM will be conducted by way of poll.

## **8. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries,

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## LETTER FROM THE BOARD

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confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### 9. RECOMMENDATION

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

### 10. GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**China Flavors and Fragrances Company Limited**  
**Wang Ming Fan**  
*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:

### **(i) 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.

### **(ii) 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 628,783,885 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 62,878,388 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.

### **(iii) 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.

**(iv) 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 2014 (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.

**(v) Connected parties**

None of the Directors nor, to the best knowledge of the Directors having made all reasonable enquiries, any of their close 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 core 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.

**(vi) 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.

**(vii) 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 Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors:

- (a) Creative China Limited, being the controlling shareholder of the Company, held 324,551,838 Shares representing approximately 51.62% 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 57.35% 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 Takeovers Code; and
- (b) Mr. Wang Ming Fan, an executive Director, had a direct interest of 49,431,540 Shares and was deemed by the SFO to be interested in all the 324,551,838 Shares held by Creative China Limited (for reason that Mr. Wang Ming Fan is interested in approximately 41.19% of the issued share capital of Creative China Limited). As such, Mr. Wang Ming Fan had an aggregate interest of 373,983,378 Shares, representing approximately 59.48% 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 Mr. Wang Ming Fan in the Company would be increased to approximately 66.09% 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 Takeovers 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</b> <i>(HK\$)</i>	<b>Lowest</b> <i>(HK\$)</i>
<b>2014</b>		
March	1.51	1.33
April	1.45	0.97
May	1.24	1.16
June	1.21	1.13
July	1.39	1.02
August	1.39	1.05
September	1.28	1.12
October	1.23	1.10
November	1.20	1.05
December	1.18	0.95
<b>2015</b>		
January	1.14	0.94
February	1.20	0.98
March ( <i>Note</i> )	1.50	1.00

*Note:* Up to the Latest Practicable Date

*The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved at the AGM:*

## **1. PURPOSES**

The New Share Option Scheme is a share incentive scheme and is established to recognise and motivate the contributions that Eligible Participants have made or may make to the Group.

The New Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in the Company with the view to achieving the following principal objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.

## **2. WHO MAY JOIN**

The Board may at its discretion grant options to:

- i. any Eligible Employees;
- ii. any director (including executive, non-executive and independent non-executive directors) of the Company, any subsidiary or any Invested Entity;
- iii. any supplier of goods or services of any member of the Group or any Invested Entity;
- iv. any customer of any member of the Group or any Invested Entity;
- v. any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- vi. any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- vii. any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- viii. any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the New Share Option Scheme, Options may be granted to any company wholly owned by one or more Eligible Participants.

The basis of eligibility of any participant to be granted any Option shall be determined by the Board (or as the case may be, the independent non-executive Directors as described below) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

### **3. SUBSCRIPTION PRICE OF SHARES**

The Subscription Price for any Share under the New Share Option Scheme shall be a price determined by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date of the relevant option, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the Offer Date of the relevant option; and (iii) the nominal value of a Share on the Offer Date.

### **4. GRANT OF OPTIONS AND ACCEPTANCE OF OFFERS**

An Offer shall be deemed to have been accepted when the Company receives the letter containing the Offer duly signed by the Grantee together with a remittance of HK\$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof within such time as may be specified in the Offer (which shall not be later than 21 days from the Offer Date). Such remittance shall in no circumstances be refundable. Once accepted, the Option is granted as from the date on which it was offered to the relevant Eligible Participant.

### **5. MAXIMUM NUMBER OF SHARES**

- (i) Subject to sub-paragraphs (ii) to (iv) below, the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme and any Other Schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Adoption Date (the "**Scheme Mandate Limit**") unless approved by the Shareholders pursuant to sub-paragraph (iii) below. Options lapsed in accordance with the terms of the scheme(s) will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) Subject to sub-paragraphs (iii) and (iv) below, the Scheme Mandate Limit may be renewed by the Shareholders of the Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by the Shareholders. Upon such renewal, all Options granted under the New Share Option Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular



must be sent to the Shareholders containing such relevant information from time to time as required by the Listing Rules in connection with the general meeting at which their approval is sought.

- (iii) Subject to sub-paragraphs (iv) below, the Board may seek separate Shareholders' approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes adopted by the Group must not, in aggregate, exceed 30% of the Shares in issue from time to time. No Options may be granted under the New Share Option Scheme or any other share option schemes adopted by the Group if such grant will result in the said 30% limit being exceeded.

## **6. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT**

No Option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the Options already granted or to be granted to such Eligible Participant under the New Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (i) approval of the Shareholders at general meeting, with such Eligible Participant and its associates abstaining from voting;
- (ii) a circular in relation to the proposal for such further grant must be sent by the Company to the Shareholders with such information from time to time as required by the Listing Rules;
- (iii) the number and terms of the Options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and
- (iv) for the purpose of calculating the minimum exercise price for the Shares in respect of the further Options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

**7. REQUIREMENTS ON GRANTING OPTIONS TO CERTAIN CONNECTED PERSONS**

Any grant of Options to any director, chief executive or substantial Shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding an independent non-executive director who or whose associate is a proposed grantee of an Option).

Where any grant of Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the total number of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of such grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders by poll in a general meeting where all core connected persons of the Company must abstain from voting in favour at such general meeting. The Company will send a circular to the Shareholders containing the information required under the Listing Rules.

**8. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS**

No Option shall be granted after inside information (as defined in the SFO) has come to the knowledge of the Company until the Company has announced the information. In particular, it may not grant any Option during the period commencing one month immediately before the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No Option may be granted during any period of delay in publishing a results announcement.

The Board may not make any Offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

**9. TIME OF EXERCISE OF OPTION**

An Option may (and may only) be exercised in accordance with the terms of the New Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the Offer Date subject to the provisions of early termination thereof, and provided that the Board may determine the minimum period for which an Option has to be held or other restrictions before its exercise.

The Grantee shall not exercise an Option to the extent that the public float of the Company will be less than 25% (or such higher percentage as required by the Stock Exchange or the Listing Rules) of the issued share capital of the Company immediately after the issue and allotment of the Shares upon such exercise of the Option.

**10. PERFORMANCE TARGETS**

Save as determined by the Board and provided in the Offer, there is no performance target that must be achieved before the Options can be exercised.

**11. RANKING OF SHARES**

The Shares to be allotted and issued upon exercise of an Option shall be subject to all the provisions of the Articles of the Company for the time being in force and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the allotment date. Any Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered into the register of members of the Company as the holder thereof.

**12. RIGHTS ARE PERSONAL TO GRANTEE**

An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do.

**13. RIGHTS ON CESSATION OF EMPLOYMENT**

- (i) In the event of death of the Grantee (being an individual) before exercising the Option in full, his Personal Representatives may exercise the Option up to the Grantee's entitlement (to the extent exercisable as at the date of his death and not already exercised) within a period of 12 months following his death or such longer period as the Board may determine.

- (ii) In the event of the Grantee who is an Eligible Employee ceasing to be an Eligible Employee for any reason other than his death, or the termination of his employment pursuant to paragraph 18(v) of this Appendix II, the Grantee may exercise the option (to the extent exercisable as at the date of such cessation and not already exercised) within 30 days following such cessation or such longer period as the Board may determine. The date of cessation as aforesaid shall be the last day on which the Grantee was actually at work with the Company or the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine.

#### 14. EFFECTS OF ALTERATIONS TO SHARE CAPITAL

In the event of any alteration in the capital structure of the Company while an Option remains exercisable or the New Share Option Scheme remains in effect, whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made to *inter alia*, the number of Shares to be issued pursuant to the exercise of the Option and the Subscription Price.

Any adjustments required under this paragraph must be made in compliance with the Listing Rules, give a Grantee the same proportion of the equity capital as that to which that Grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value provided that in such circumstance, the exercise price shall be reduced to the nominal value. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial advisor of the Company or the auditors of the Company must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

#### 15. RIGHTS ON A GENERAL OFFER

If a general or partial offer (whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror), the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option (to the extent exercisable as at the date on which the offer becomes or is declared unconditional and not already exercised) in full or in part at any time within 14 days after the date on which the Offer becomes or is declared unconditional.

**16. RIGHTS ON WINDING-UP**

In the event notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise all or any of his/her options (to the extent exercisable as at the date of the notice of meeting and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting of the Company to consider the winding-up and the Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

**17. RIGHTS ON COMPROMISE OR ARRANGEMENTS**

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the restructuring, reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme, and thereupon the Grantee shall be entitled to exercise all or any of his/her Option(s) (to the extent which has become exercisable as at the date of the notice and not already exercised) at any time not later than two Trading Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting and the Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

**18. LAPSE OF OPTION**

An Option (to the extent not already exercised) shall automatically lapse and not be exercisable on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraph 13 above;
- (iii) subject to paragraph 16 above, the date of the commencement of the winding-up of the Company;
- (iv) the expiry of the period referred to in paragraph 17 above;
- (v) the date on which the Grantee who is an Eligible Employee ceases to be an Eligible Employee by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an Eligible Employee, or the date on which he begins to appear to be unable to pay or has

no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty, unless otherwise resolved to the contrary by the Board;

- (vi) in respect of a Grantee other than an Eligible Employee, the date on which the Board shall determine that (i) (a) such Grantee has committed any breach of any contract entered into between such Grantee on the one part and the Group or any Invested Entity on the other part; or (b) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (c) such Grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever; and (ii) the Option shall lapse as a result of any event specified in subparagraph (i) (a), (b) or (c) above, unless otherwise resolved to the contrary by the Board;
- (vii) the expiry of the period referred to in paragraph 15 above; and
- (viii) the date on which the Grantee commits a breach of paragraph 12 or any terms or conditions attached to the grant of the Option or an event, in respect to a Grantee, referred to in (2) below occurs, unless otherwise resolved to the contrary by the Board.

If the Grantee is a company wholly owned by one or more Eligible Participants:

- (1) the provisions of paragraphs 13(i) and (ii), 18(v) and (vi) shall apply to the Grantee and to the Options granted to such Grantee, mutatis mutandis, as if such Options had been granted to the relevant Eligible Participant, and such Options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 13(i) and (ii), 18(v) and (vi) shall occur with respect to the relevant Eligible Participant; and
- (2) the Options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly owned by the relevant Eligible Participant, provided that the Board may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

## **19. CANCELLATION OF OPTIONS GRANTED BUT NOT YET EXERCISED**

The Board shall have the absolute discretion to cancel any Options granted at any time if the Grantee so agreed provided that where an Option is cancelled and a new Option is proposed to be issued to the same Grantee, the issue of such new Option may only be made with available but unissued Options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in the New Share Option Scheme from time to time.

**20. PERIOD OF THE NEW SHARE OPTION SCHEME**

Subject to the terms of the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years after the Adoption Date, after which no further options may be issued. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding, the provisions of the New Share Option Scheme shall remain in full force and effect.

The Board may impose such terms and conditions of the Offer either on a case-by-case basis or generally as are not inconsistent with the New Share Option Scheme including but not limited to the minimum period for which an Option must be held before it can be exercised.

**21. ALTERATION TO THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme may be altered in any respect by resolution of the Board except that the terms and conditions of the New Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) cannot be altered to the advantage of Grantees or prospective grantees except with the prior approval of the Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the Grantee as would be required of the Shareholders under the Articles for the time being of the Company for a variation of the rights attached to Shares.

Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the New Share Option Scheme.

Any change to the authority of the Directors or administrators of the New Share Option Scheme in relation to any alterations to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the New Share Option Scheme and/or the options must continue to comply with the relevant provisions of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option scheme).

Subject to the above paragraphs, the Board may at any time alter, amend or modify the terms and conditions of the New Share Option Scheme such that the provisions of the New Share Option Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the New Share Option Scheme.

**22. TERMINATION OF THE NEW SHARE OPTION SCHEME**

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event, no further Options will be offered but the provisions of the New Share Option Scheme shall remain in force in all other respects.

Options complying with the provisions of the Listing Rules which are granted during the life of the New Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the New Share Option Scheme.

**23. CONDITIONS OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme is conditional upon (a) the passing of an ordinary resolution by the Shareholders at the AGM to (i) terminate the Existing Share Option Scheme; (ii) approve and adopt the New Share Option Scheme; (iii) authorize the Directors to grant Options under the New Share Option Scheme; and (iv) authorize the Directors to allot and issue Shares which may be issued upon exercise of the Options granted under the New Share Option Scheme; and (b) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of Options granted under the New Share Option Scheme.

As at the Latest Practicable Date, no Option had been granted by the Company under the New Share Option Scheme. An application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in the Shares to be issued and allotted by the Company pursuant to the exercise of options that may be granted under the New Share Option Scheme in respect of up to 10% of the Shares in issue as at the Adoption 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 Empire Room 1, Empire Hotel Hong Kong, 33 Hennessy Road, Wanchai, Hong Kong, on 8 May 2015 at 3:00 pm 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 2014.
2. To consider and approve, each as a separate resolution, if thought fit, the following resolutions:
  - (a) to re-elect Mr. Li Qing Long as executive director;
  - (b) to re-elect Mr. Ng Kwun Wan as independent non-executive director; and
  - (c) to authorize the board of directors of the Company to fix the directors’ remuneration.
3. To re-appoint the Company’s auditors and to authorize the board of directors of the Company to fix the remuneration of the auditors.
4. To approve the declaration of a final dividend for the year ended 31 December 2014 to be satisfied wholly by way of scrip dividend.
5. As special business, to consider and, if thought fit, pass with or without modifications, the following resolutions as ordinary resolutions of the Company:

### **ORDINARY RESOLUTIONS**

(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;

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- (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 defined below); (ii) an issue of shares under any options granted under the share option schemes 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

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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;
- (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 5(A) and 5(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 5(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 5(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.”

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- (D) “**THAT** the existing share option scheme (the “**Existing Share Option Scheme**”) of the Company adopted on 25 November 2005 be and is hereby terminated and conditional upon The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the shares of the Company falling to be issued pursuant to the new share option scheme (the “**New Share Option Scheme**”), the terms of which are set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the New Share Option Scheme be and is hereby approved and adopted by the Company, and the Directors be and are hereby authorized, at their absolute discretion, to grant options thereunder and to allot, issue and deal with any shares of the Company pursuant to the exercise of the options which may be granted under the New Share Option Scheme and to do all such acts as the Directors may in their absolute discretion consider necessary or expedient in order to give full effect to the New Share Option Scheme.”

By order of the Board  
**China Flavors and Fragrances Company Limited**  
**Wang Ming Fan**  
*Chairman*

Hong Kong, 2 April 2015

*As at the date of this notice, the executive directors of the Company are Mr. Wang Ming Fan, Mr. Li Qing Long 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.*

*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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or the adjourned meeting.
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.

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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 officer, attorney or other person duly authorized to sign the same.
  
7. The Register of Members of the Company will be closed from 5 May 2015 to 8 May 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on 4 May 2015.