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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.

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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)

GRANT OF SHARE OPTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A notice dated 8 May 2015 convening the extraordinary general meeting of China Flavors and Fragrances Company Limited 中國香精香料有限公司 to be held at EDICO Financial Press Services Limited, 8/F, Wheelock House, 20 Pedder Street, Central, Hong Kong on 29 May 2015 at 11:00 a.m. is set out in this circular. A form of proxy for use at the extraordinary 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).

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 extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting if you so wish.

8 May 2015

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DEFINITIONS

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

“associates”	has the same meaning as ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	the day(s) on which the Stock Exchange is open for the business of dealing in securities
“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 as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 29 May 2015 to consider and, if thought fit, approve the grant of Options to Mr. Wang and Mr. Qian
“Grantee(s)”	Five eligible participants, who are entitled to the Options to be granted by the Company, including the Proposed Grantees
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the connected persons of the Company
“Latest Practicable Date”	5 May 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
“Mr. Qian”	Mr. Qian Wu, an executive Director of the Company
“Mr. Wang”	Mr. Wang Ming Fan, an executive Director and a substantial Shareholder of the Company
“Offer Date”	22 April 2015

DEFINITIONS

“Option(s)”	the 58,000,000 Share Options offered to be granted to the Grantees under the Share Option Scheme to subscribe for 58,000,000 Shares in aggregate
“Proposed Grantees”	collectively, Mr. Qian and Mr. Wang
“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 Option(s)”	the share option(s) granted and to be granted under the Share Option Scheme
“Share Option Scheme”	the existing share option scheme adopted by the Company on 25 November 2005
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



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

8 May 2015

To the Shareholders

Dear Sir or Madam,

**GRANT OF SHARE OPTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 22 April 2015 and 23 April 2015 respectively in relation to, *inter alia*, the grant of the Options.

The purpose of this circular is (i) to provide the Shareholders with information regarding the grant of the Options; and (ii) to give the Shareholders a notice of the EGM and other information in accordance with the requirement of the Listing Rules.

LETTER FROM THE BOARD

2. PROPOSED GRANT OF OPTIONS

Under the Share Option Scheme, the Directors are authorized to grant Share Options to the eligible participants to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of the Share Options granted under the Share Option Scheme. After the refreshment of the mandate limit of the Share Option Scheme on 9 May 2014, the Company may grant Share Options entitling subscription of up to 62,878,388 Shares, representing 10% of the issued share capital of the Company as at the date of the annual general meeting held on 9 May 2014 (“**Scheme Mandate Limit**”). Up to the Latest Practicable Date, save and except for the Options disclosed in this circular, no Share Options have been granted under the Share Option Scheme after the refreshment of the Scheme Mandate Limit.

The Grant of Options

On 22 April 2015, the Board (including all independent non-executive Directors of the Company) resolved to offer the grant of 58,000,000 Options to the Grantees to subscribe for a total of 58,000,000 Shares under the Share Option Scheme subject to acceptance of the Grantees. The total of 58,000,000 Shares to be subscribed under the Options represent approximately 9.22% of the existing issued share capital of the Company as at the Offer Date and approximately 8.45% of the enlarged issued share capital of the Company, assuming the Options are fully exercised. Details of such grant are set out below:

Offer Date	:	22 April 2015
Exercise price of the Options granted	:	HK\$1.34 per Share, which represents the highest of (i) HK\$1.29 being the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Offer Date; (ii) HK1.34, being the average of the closing prices of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and (iii) HK\$0.1, being the nominal value of each Share
Consideration for the grant of the Options	:	HK\$1 to be paid by each Grantee upon acceptance of the Options granted
Number of Options granted	:	58,000,000 Options (each Option shall entitle the Grantee to subscribe for one Share)
Closing price of the Shares on the Offer Date	:	HK\$1.29 per Share

LETTER FROM THE BOARD

Exercise period of the Options : 50% of the Options may be exercised from the Offer Date to 21 April 2025. Subject to the rules of the Share Option Scheme and the Listing Rules and provided that the performance targets for the relevant financial year as set forth in the paragraph headed “Performance target” below have been met, 30% of the Options may be exercised from 1 January 2016 to 21 April 2025 (the “**First Batch**”) and 20% of the Options may be exercised from 1 January 2017 to 21 April 2025 (the “**Second Batch**”).

Performance target: : The following performance targets for the relevant period (the “**Relevant Period**”) set out below must be achieved before the Options can be exercised:

- (a) The First Batch could only be exercised if the turnover of the Company for the financial year ended 31 December 2015 is not less than 110% of the turnover of the Company for the year ended 31 December 2014.
- (b) The Second Batch could only be exercised if the turnover of the Company for the financial year ended 31 December 2016 is not less than 120% of the turnover of the Company for the year ended 31 December 2014.

The Company will engage the auditors of the Company to determine and confirm the turnover of the Company for the Relevant Period. The Remuneration Committee will be responsible for monitoring the performance target of the Company and ascertaining whether or not the performance target for the Relevant Period has been met.

If the performance target is met for a particular Relevant Period, the Options associated therewith will become exercisable. The failure to meet the performance target for subsequent period will not affect the Grantees’ right to exercise the Options for that particular Relevant Period for which the performance target has been met.

LETTER FROM THE BOARD

If the performance target for a particular Relevant Period has not been met, the Options associated therewith will not be exercisable by the Grantees even if in a subsequent period, the performance target has been met.

If an event of force majeure occurs in a particular Relevant Period, the performance target for that particular Relevant Period cannot be met, the Directors may recommend, after having obtained the consent of the independent non-executive Directors, the right to exercise a particular batch of the Options to which that particular Relevant Period relates to be deferred to the next financial year with the performance target for the said period as the condition to the exercise of the relevant batch(es) of the Options.

Among the 58,000,000 Options granted, 45,000,000 Options were granted to the following Proposed Grantees:

Name of Proposed Grantee	Relationship with the Company	Number of the Options granted	Approximate percentage to existing number of Shares in issue
Wang Ming Fan	Executive Director and substantial Shareholder	35,000,000	5.57%
Qian Wu	Executive Director	10,000,000	1.60%

The Shares to be allotted upon exercise of the Options shall rank *pari passu* with the Shares then in issue in all respects, including voting rights, entitlement to dividends, transfer and other rights (including those arising on liquidation of the Company) paid or made on or after the relevant exercise date of the Options. The Options themselves, however, do not carry any right to voting, dividend, transfer or other rights (including those arising on the liquidation of the Company) prior to their being exercised and the underlying Shares being issued.

LETTER FROM THE BOARD

Listing Rules Implications

The grant of the Options to the Proposed Grantees has been approved by the independent non-executive Directors of the Company in accordance with Rule 17.04(1) of the Listing Rules.

Pursuant to Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme, where a grant of Share Options to a substantial shareholder of the Company or an independent non-executive Director and/or their respective associates would result in the Shares issued and to be issued upon exercise of all the Share Options granted and to be granted (including options exercised, cancelled and outstanding Share Options) under the Share Option Scheme 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 Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares on the date of grant, in excess of HK\$5 million, such grant of Share Options must be approved by the Independent Shareholders at a general meeting at which all core connected persons of the Company (i.e. a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or a close associate (as defined under the Listing Rules) of any of them) shall abstain from voting in favour, although they may vote against the resolution to approve the grant of Share Options at such general meeting.

In addition, pursuant to Rule 17.03(4) of the Listing Rules and the terms of the Share Option Scheme, the maximum number of Shares issued and to be issued upon exercise of the Share Options granted to each grantee under the Share Option Scheme (including both exercised and outstanding Share Options) in any 12-month period shall not, when aggregated with any Shares subject to options granted under such period under any other share option schemes of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting, exceed 1% of the Shares in issue for the time being. When any further grant of Shares Options to a grantee would result in the Shares issued and to be issued upon exercise of all Share Options granted and to be granted to such person (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such grantee and his/her associates abstaining from voting.

(i) *Grant of Options to Mr. Wang*

As at the Latest Practicable Date, Mr. Wang is the chairman, an executive Director and a substantial shareholder of the Company who is personally interested in approximately 7.86% of the issued share capital of the Company. In addition, Mr. Wang is also interested in approximately 41.19% of shareholding interest in Creative China Limited, which in turn is interested in approximately 51.62% of the issued share capital of the Company.

LETTER FROM THE BOARD

As the total number of Shares to be issued upon exercise of the Options offered to be granted to Mr. Wang represents in aggregate over 0.1% of the Shares in issue and having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares of HK\$1.29 on the Offer Date, pursuant to Rule 17.04(1) of the Listing Rules, the grant of Options to Mr. Wang must be approved by the Independent Shareholders at the EGM at which all core connected persons of the Company (i.e. a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or a close associate (as defined under the Listing Rules) of any of them) shall abstain from voting in favour. In addition, as the total number of Shares to be issued upon exercise of the Options granted to Mr. Wang exceeds 1% of the Shares in issue, Mr. Wang and his associates shall also abstain from voting on the relevant resolution in respect of the Options granted to him.

As at the Latest Practicable Date, the connected persons of the Company who hold 373,983,378 Shares, representing approximately 59.48% of the issued share capital of the Company, shall abstain from voting in favour at the EGM to be convened to approve the grant of the Options to Mr. Wang.

As at the Latest Practicable Date, none of the Shareholders who are required to abstain from voting in favour has given the Company notice of his/her/its intention to vote against the relevant resolution at the EGM.

(ii) *Grant of Options to Mr. Qian*

As the total number of Shares to be issued upon exercise of the Options offered to be granted to Mr. Qian exceeds 1% of the Shares in issue, pursuant to Rule 17.03(4) of the Listing Rules, the grant of Options to Mr. Qian must be approved by Shareholders at the EGM with Mr. Qian and his associates abstaining from voting on the relevant resolution in respect of the grant of Options to him.

(iii) *General*

Save for Mr. Wang and Mr. Qian, none of the Grantees will, as a result of the grant of Options, be entitled to be issued with such number of Shares as represents over 1% of the Shares in issue upon exercise of all Options granted to him/her in the 12-month period up to and including the Offer Date.

To the best of the knowledge, information and belief of the Directors, as at the Latest Practicable Date, there was no discrepancy between any beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in the Company in respect of which each of them will control or will be entitled to exercise control over the voting right at the EGM.

Save as disclosed above and the grant of options to Ms. Sy Wai Shuen whose appointment as an executive Director will take effect on 11 May 2015, none of the Grantees is a Director, chief executive or substantial Shareholder.

LETTER FROM THE BOARD

None of the Directors is the trustee of the Share Option Scheme nor has direct or indirect interest in the trustee of the Share Option Scheme.

The Shares to be issued upon full exercise of the Options will be made under the Scheme Mandate Limit.

Reasons for granting the Options

The Proposed Grantees are Directors of the Group. Given the Proposed Grantees' respective expertise and management skills, their continued contribution to the Group will be of critical importance to the development and growth of the Group. The Directors considered that in order to enhance the Company's capability to motivate and retain the key management, and to further align the interests of the Proposed Grantees with the interests of the Company and the Shareholders, it is important that the Company provides the Proposed Grantees with further incentives by offering them an opportunity to obtain further ownership interest in the Company. The grant of the Options serves to provide incentives or rewards to the Proposed Grantees for their contribution to the Group and to retain the Proposed Grantees that are considered to be valuable to the Group.

Pursuant to the terms of the Options, the Proposed Grantees could only exercise the First Batch and the Second Batch if and only if the respective performance targets for the relevant period can be achieved. As such, the Board believes that the Proposed Grantees will help to promote the turnover and profitability of the Group in order to obtain the benefit of the Options.

In view of the above, the grant of the Options to the Proposed Grantees is considered to be in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

3. SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows the changes in the shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company assuming the Options granted to the Grantees are exercised in full:

Shareholders	As at the Latest Practicable Date		Assuming full exercise of Options	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Creative China Limited				
(Note)	324,551,838	51.62	324,551,838	47.26
Mr. Wang	49,431,540	7.86	84,431,540	12.29
Mr. Qian	—	—	10,000,000	1.46
Sy Wai Shuen	—	—	6,000,000	0.87
Public	<u>254,800,507</u>	<u>40.52</u>	<u>261,800,507</u>	<u>38.12</u>
Total	<u>628,783,885</u>	<u>100</u>	<u>686,783,885</u>	<u>100</u>

Note: Creative China Limited is owned as to 41.19% by Mr. Wang, as to 28.11% by Mr. Wong Ming Bun (a former director of the Company), as to 19.87% by Mr. Wang Ming You (a former director of the Company), as to 6.89% by Mr. Qian and as to 3.94% by Mr. Li Qing Long. As at the date of the Latest Practicable Date, Mr. Wang, Mr. Qian and Mr. Li Qing Long were Directors of the Company and also directors of Creative China Limited.

4. EXTRAORDINARY GENERAL MEETING

Set out in this circular is a notice convening the EGM which will be held at EDICO Financial Press Services Limited, 8/F, Wheelock House, 20 Pedder Street, Central, Hong Kong on 29 May 2015, at 11:00 a.m., at which ordinary resolutions will be proposed to approve the grant of the Options to Mr. Wang and Mr. Qian.

The form of proxy for use at the EGM is accompanied with this circular. Whether or not you intend to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in any event, not less than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

LETTER FROM THE BOARD

5. 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, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

6. RECOMMENDATION

Having considered the terms of the proposed grant of the Options, all the independent non-executive Directors consider such grant is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders and Shareholders to vote in favour of the ordinary resolutions approving the grant of the Options to Mr. Wang and Mr. Qian respectively as set out in the notice of the EGM.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 that an extraordinary general meeting of China Flavors and Fragrances Company Limited (the “**Company**”) will be held at EDICO Financial Press Services Limited, 8/F, Wheelock House, 20 Pedder Street, Central, Hong Kong on 29 May 2015, at 11:00 a.m. for purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as an ordinary resolution of the Company by way of poll:

ORDINARY RESOLUTIONS

1. “**THAT** the grant of options to Mr. Wang under the share option scheme adopted by the Company on 25 November 2005 (the “**Share Option Scheme**”) to subscribe for an aggregate of 35,000,000 ordinary shares of HK\$0.1 each of the Company at the exercise price of HK\$1.34 per share and on the terms and conditions as set out in the circular to the shareholders of the Company dated 8 May 2015 (the “**Circular**”) be and is hereby approved and that any one director of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to such grant and exercise of the option.”
2. “**THAT** the grant of options to Mr. Qian under the Share Option Scheme to subscribe for an aggregate of 10,000,000 ordinary shares of HK\$0.1 each of the Company at the exercise price of HK\$1.34 per share and on the terms and conditions as set out in the Circular be and is hereby approved and that any one director of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to such grant and exercise of the option.”

By order of the Board

China Flavors and Fragrances Company Limited

Wang Ming Fan

Chairman

Hong Kong, 8 May 2015

Head office and principal place of business in Hong Kong:

Room 2101-02, 21/F

Wing On House

71 Des Voeux Road Central

Central, Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person at his/her/its proxy to attend and vote in his/her/its stead in accordance with the bye-laws of the Company. A proxy needs not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. The instrument appointing a proxy shall be in writing under hand of the appointer or of his/her attorney duly authorized in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorized to sign the same.
5. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

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