

---

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

---

**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.

---



**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)**

**REFRESHMENT OF GENERAL MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

**Nuada Limited**

*Corporate Finance Advisory*

---

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

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from Independent Board Committee is set out on page 12 of this circular. A letter from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 23.

A notice dated 22 August 2016 convening the EGM of China Flavors and Fragrances Company Limited 中國香精香料有限公司 to be held at Jasmine Room, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on 8 September 2016 at 3:00 p.m. is set out in this circular. A form of proxy for use at the EGM 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting if you so wish.

22 August 2016

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	12
<b>Letter from Nuada Limited</b> .....	13
<b>Notice of EGM</b> .....	24

---

## DEFINITIONS

---

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

“AGM”	the annual general meeting of the Company held on 13 May 2016 in which the Shareholders had approved, among other matters, the Existing General Mandate
“Articles”	the articles of association adopted by the Company, and as amended from time to time by resolution of the Shareholders of the Company
“associates”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“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, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Convertible Bond”	the convertible bond in the principal amount of US\$40,000,000 issued pursuant to the subscription agreement dated 30 June 2016 entered into between the Company as the issuer and Great Wall Pan Asia International Investment Co., Limited as the subscriber
“Conversion Shares”	new Shares to be issued upon conversion of the Convertible Bond or the PSCS (as the case may be)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Jasmine Room, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on 8 September 2016 at 3:00 p.m. to consider and, if thought fit, to approve the Refreshment of General Mandate
“Existing General Mandate”	the general mandate granted to the Directors to allot and issue up to 20% of the total number of Shares of the Company in issue on 13 May 2016, by a resolution of the Shareholders passed at the annual general meeting of the Company held on 13 May 2016
“Group”	the Company and its subsidiaries

---

## DEFINITIONS

---

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, to advise the Independent Shareholders in relation to the Refreshment of General Mandate
“Independent Financial Adviser” or “Nuada Limited”	Nuada Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate
“Independent Shareholder(s)”	Shareholder(s) other than the controlling shareholders and their associates or, if there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	18 August 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the new mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM
“PSCS”	the perpetual subordinated convertible securities issued by the Company to the relevant vendors pursuant to business transfer agreements dated 26 April 2016, details of which are set out in the announcement of the Company dated 26 April 2016 and the circular of the Company dated 21 June 2016
“Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate by way of granting the New General Mandate
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong as amended from time to time

---

## DEFINITIONS

---

“Share(s)”	ordinary share(s) of HK\$0.1 each in the Company
“Share Options”	29,025,100 outstanding share options issued under the old share option scheme adopted by the Company on 25 November 2005 and terminated upon the adoption of a new share option scheme on 8 May 2015
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

*In this circular, for the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars is based on the exchange rate of RMB1 to HK\$1.16, and conversion of US\$ to Hong Kong dollars is based on the exchange rate of US\$1 to HK\$7.80. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.*

---

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 & Chief Executive Officer)*

Mr. Li Qing Long

Mr. Qian Wu

*Non-Executive Director:*

Ms. Sy Wai Shuen

*Independent Non-Executive Directors:*

Mr. Leung Wai Man, Roger

Mr. Ng Kwun Wan

Mr. Zhou Xiao Xiong

*Registered Office:*

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

Cayman Islands

British West Indies

*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

22 August 2016

*To the Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with the information relating to (i) the Refreshment of General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the Refreshment of General Mandate; (iii) the recommendation from Nuada Limited to the Independent Board Committee and the Independent Shareholders on the Refreshment of General Mandate; and (iv) the notice of EGM, at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Refreshment of General Mandate.

---

## LETTER FROM THE BOARD

---

### EXISTING GENERAL MANDATE

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Existing General Mandate to allot and issue not more than 133,880,579 Shares, being 20% of the entire issued share capital of the Company of 669,402,897 Shares as at the date of passing of the relevant resolution.

As announced in the announcement of the Company dated 30 June 2016, up to 107,032,590 Shares may be allotted and issued under the Existing General Mandate under the Convertible Bond. The Existing General Mandate has been utilized as to 107,032,590 Shares, representing approximately 79.95% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate.

As at the Latest Practicable Date, the Company had not made any refreshment of the Existing General Mandate since the AGM and save for the 107,032,590 Conversion Shares under the Convertible Bond, 378,544,000 Conversion Shares under the PSCS and 29,025,100 Share Options, there were no other outstanding options, warrants, convertible securities or other rights to subscribe for Shares.

### PROPOSED REFRESHMENT OF GENERAL MANDATE

The Company will convene the EGM at which ordinary resolution will be proposed to the Independent Shareholders that the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM.

As at the Latest Practicable Date, the Company had an aggregate of 675,042,640 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Refreshment of General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed to allot and issue up to 135,008,528 Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The New General Mandate will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the date by which the next annual general meeting of the Company is required to be held by law or by the Articles; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

### REASONS FOR THE REFRESHMENT OF GENERAL MANDATE

The Group is principally engaged in the research and development, manufacture and sale of flavors and fragrances, which are provided to the Group's customers for making addition or improvement of flavors or fragrances in the customers' manufactured tobacco, food and daily consumer good.

---

## LETTER FROM THE BOARD

---

As disclosed in the circular of the Company dated 18 April 2016 (the “**MT Circular**”), the Company entered into an acquisition agreement dated 25 January 2016 (the “**Acquisition Agreement**”) with the vendors (the “**MT Vendors**”) for the acquisition (the “**Acquisition**”) of the entire issued share capital of Kimree, Inc. (the “**Target Company**” and, together with its subsidiaries, the “**Target Group**”). As disclosed in the MT Circular, the Target Group is a technology-driven company with an extensive global patent portfolio relating to core electronic cigarette technologies. The Target Group leverages strong research and development capabilities to design and develop innovative electronic cigarette products that cater to varying customer demands. The Directors believe that the Acquisition will allow the Group to distribute electronic cigarettes of the Target Group in the Group’s established network in the PRC and that the Group’s revenue base will be broadened with the sales of electronic cigarettes. Written approval of the Acquisition has been obtained from the Relevant Shareholders (as defined in the MT Circular) in lieu of holding a general meeting.

The consideration under the Acquisition Agreement amounted to RMB750.0 million (equivalent to approximately HK\$870.0 million), of which an aggregate of RMB600.0 million (equivalent to approximately HK\$696.0 million) has been paid to the MT Vendors as at the Latest Practicable Date. The remaining of RMB150.0 million (equivalent to approximately HK\$174.0 million) in total shall be paid in cash in parts within 10 business days from the date the relevant audits for the financial year of 2016, 2017 and 2018 respectively.

In addition, as disclosed in the circular of the Company dated 21 June 2016 (the “**DT Circular**”), the Company entered into four business transfer agreements dated 26 April 2016 (the “**Business Transfer Agreements**”) with respective vendors (the “**DT Vendors**”) for the transfer of business (the “**Business Transfer**”) of the research and development, manufacturing and sale of tobacco and flavours respectively carried out by the DT Vendors (the “**Subject Businesses**”). The Subject Businesses from the DT Vendors consist of (i) the formulas used or owned by the DT Vendors; (ii) the relevant contracts entered into between the DT Vendors and their customers together with the information of the respective customers; (iii) the relevant contracts entered into between the DT Vendors and their suppliers together with the information of the respective suppliers; and (iv) any matter relevant to the continued operation of the Subject Businesses.

As disclosed in the DT Circular, the Company intends to further expand its business in the manufacturing of tobacco flavour, with a view to broadening the Group’s revenue source, enhancing the performance of the Group, creating value for the Shareholders and increasing Shareholders’ return. The Board believes that the Business Transfer is consistent with the development strategy of the Company. The Business Transfer Agreements and the transactions contemplated thereunder were approved by the Shareholders at the extraordinary general meeting of the Company held on 15 July 2016.



---

## LETTER FROM THE BOARD

---

The considerations under the four Business Transfer Agreements, in aggregate, amounted to RMB1,552.0 million (equivalent to approximately HK\$1,800.3 million), of which (i) an aggregate RMB414.6 million (equivalent to approximately HK\$480.9 million) has been paid to the DT Vendors as at the Latest Practicable Date; and (ii) an aggregate of RMB962.4 million (equivalent to approximately HK\$1,116.4 million) has been satisfied by way of the issue of PSCS to the respective DT Vendors as at the Latest Practicable Date. Accordingly, a balance of RMB175.0 million (equivalent to approximately HK\$203.0 million) in aggregate shall be paid to the DT Vendors in cash pursuant to the Business Transfer Agreements (the “**DT Balance of Consideration**”), of which (i) RMB51.0 million (equivalent to approximately HK\$59.2 million) shall be paid in cash within 60 days after completion of the relevant Business Transfer Agreements; and (ii) the remaining of RMB124.0 million (equivalent to approximately HK\$143.8 million) shall be paid in cash in parts within 10 business days from the date the relevant audits for the first, second and third (if applicable) year respectively since the date of completion of the relevant Business Transfer Agreements.

In respect of the financial position of the Group, as at 30 June 2016, the cash and bank balances of the Group amounted to approximately RMB223.5 million. Since then and up to the Latest Practicable Date, there had been funds raised from the issue of the Convertible Bond of principal amount of US\$40,000,000 (equivalent to approximately HK\$312.0 million) and the loan of principal amount of US\$10,000,000 (equivalent to approximately HK\$78.0 million) in July, granted by a lender who is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and we understand that funds have been earmarked for payments as to US\$20,000,000 for partial payments of the DT Balance of Consideration, and the remaining of US\$30,000,000 for some loan repayments of the Company.

Based on the MT Balance of Consideration of RMB150.0 million (equivalent to approximately HK\$174.0 million) and DT Balance of Consideration of RMB175.0 million (equivalent to approximately HK\$203.0 million), amounting to approximately RMB325.0 million (equivalent to approximately HK\$377.0 million) in aggregate which is much higher than the cash and bank balance of the Group.

As explained in the paragraph headed “Existing General Mandate” above, the Existing General Mandate had been utilized as to 107,032,590 Shares, representing approximately 79.95% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate.

The Board believes that the Refreshment of General Mandate is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group’s future business development and provide additional funding option for business operation or potential investment opportunities should they arise. The Board considers equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group.

---

## LETTER FROM THE BOARD

---

As at the Latest Practicable Date, the Company has been in discussion with some institutions for conducting proposed equity fund raising of the Company in the third quarter of 2016, the proceeds of which will be used for the repayment of loan, general working capital and/or supporting the Group's future business development.

As at the Latest Practicable Date, the Company plans to utilise the New General Mandate for the proposed equity fund raising in the third quarter of 2016. Apart from the Acquisition and the Business Transfer, as at the Latest Practicable Date, the Company has no particular future business expansion and development plan for the time being.

With reference to the date of Company's past annual general meeting, the next annual general meeting of the Company is expected to be held around May 2017, which is about nine months from the Latest Practicable Date and the New General Mandate will allow the Company to have sufficient flexibility to grasp appropriate fund raising opportunities during this period. The Company intends to utilise the New General Mandate in the coming nine months. As such, the Directors consider that the Refreshment of General Mandate is justifiable.

The Company would exercise due and careful consideration when choosing the financing method available to the Group. The Refreshment of General Mandate is proposed to the Shareholders prior to the Company's next annual general meeting and therefore, under Rule 13.36(4) of the Listing Rules, the Refreshment of General Mandate is subject to the Independent Shareholders' approval at the EGM.

### EQUITY FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activity for the 12 months immediately before the date of this circular:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the date of this circular</b>
30 June 2016	Issue of secured convertible bonds	US\$40,000,000	general working capital and for repayment of loan	used as intended

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and, (ii) for illustrative purpose, immediately upon the allotment and issue of the Shares by the Company pursuant to the New General Mandate, assuming the New General Mandate is utilized in full and no further Shares are issued or repurchased by the Company during the period between the Latest Practicable Date and the date of the EGM:

Shareholder	As at the Latest Practicable Date		Immediately upon the allotment and issue of the Shares by the Company pursuant to the New General Mandate (assuming that New General Mandate is utilized in full and no further Shares are issued or repurchased by the Company)	
	Number of Shares	%	Number of Shares	%
Creative China Limited (Note 1)	334,254,113	49.52	334,254,113	41.26
Full Ashley Enterprises Limited (Note 2)	18,538,098	2.75	18,538,098	2.29
Mr. Wang Ming Fan (Note 3)	87,956,573	13.03	87,956,573	10.86
Other public Shareholders	234,293,856	34.70	234,293,856	28.92
Maximum number of Shares to be issued under the New General Mandate	—	—	135,008,528	16.67
<b>Total</b>	<b>675,042,640</b>	<b>100.00</b>	<b>810,051,168</b>	<b>100.00</b>

*Notes:*

- (1) As at the Latest Practicable Date, Creative China Limited is owned as to 41.19% by Mr. Wang Ming Fan, 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 Wu and as to 3.94% by Mr. Li Qing Long. Mr. Wang Ming Fan, Mr. Qian Wu and Mr. Li Qing Long were Directors of the Company and also directors of Creative China Limited.
- (2) As at Latest Practicable Date, Full Ashley Enterprises Limited is a private company which is wholly-owned by Mr. Wang Ming Fan.
- (3) Mr. Wang Ming Fan is the chairman, executive director and controlling shareholder of the Company.
- (4) Assuming that the shareholding structure of the Company has not changed after the Latest Practicable Date and upon completion and immediately after full conversion of the Convertible Bond.

---

## LETTER FROM THE BOARD

---

### GENERAL

Pursuant to Rule 13.36(4) of the Listing Rules, the Refreshment of General Mandate will be subject to the Independent Shareholders' approval by way of passing an ordinary resolution at the EGM at which any of the controlling Shareholders and their respective associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive and all their respective associates shall abstain from voting in favour of the resolution approving the Refreshment of General Mandate.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, having made all reasonable enquiries, Creative China Limited, a company owned as to 41.19% by Mr. Wang Ming Fan, 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 Wu and as to 3.94% by Mr. Li Qing Long, was holding an aggregate of 334,254,113 Shares, representing approximately 49.52% of the existing issued share capital of the Company. Full Ashley Enterprises Limited is a private company which is wholly-owned by Mr. Wang Ming Fan and was holding 18,538,098 Shares, representing approximately 2.75% of the existing issued Share Capital of the Company. Mr. Wang Ming Fan personally held 87,956,573 Shares, representing approximately 13.03% of the existing issued Share Capital of the Company. As such, Mr. Wang Ming Fan, Creative China Limited and Full Ashley Enterprises Limited are deemed to be interested in an aggregate of 440,748,784 Shares, representing approximately 65.30% of the existing issued share capital of the Company, are required to abstain from voting in favour of the resolution regarding the grant of the New General Mandate at the EGM.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Leung Wai Man, Roger, Mr. Ng Kwun Wan and Mr. Zhou Xiao Xiong being all the independent non-executive Directors, has been established to advise the Independent Shareholders on the Refreshment of General Mandate.

Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate.

### EGM

A notice convening the EGM to be held at Jasmine Room, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on 8 September 2016 at 3:00 p.m. is set out on pages 24 to 26 of this circular for the purpose of considering and, if thought fit, passing the resolution approving the Refreshment of General Mandate.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 22/F., Hopewell Center, 183

---

## LETTER FROM THE BOARD

---

Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM, or at any adjournment thereof (as the case may be) if you so wish.

The vote of the Independent Shareholders in respect of the Refreshment of General Mandate at the EGM will be taken by way of poll.

### RECOMMENDATIONS

Your attention is drawn to the letter from Nuada Limited set out on pages 13 to 23 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Refreshment of General Mandate and the letter from the Independent Board Committee set out on page 12 of this circular which contains its recommendation to the Independent Shareholders in relation to the Refreshment of General Mandate.

The Independent Board Committee, having taken into account the advice of Nuada Limited, considers that the Refreshment of General Mandate are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving the Refreshment of General Mandate.

Having considered the reasons set out herein, the Board is of the view that the Refreshment of General Mandate is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole. The Board hereby recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

### 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 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.

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



**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)

22 August 2016

*To the Independent Shareholders*

Dear Sir or Madam,

### **REFRESHMENT OF GENERAL MANDATE**

We refer to the circular of the Company dated 22 August 2016 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and whether the terms of the Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Nuada Limited has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal factors and reasons considered by, and the advice of Nuada Limited as set out in its letter of advice to us on pages 13 to 23 of the Circular, we are of the opinion that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,

Independent Board Committee

**Leung Wai Man, Roger**

**Ng Kwun Wan**

**Zhou Xiao Xiong**

*Independent non-executive Directors*

---

## LETTER FROM NUADA LIMITED

---

*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 22 August 2016 prepared for the purpose of inclusion in this circular.*

**Nuada Limited**  
*Corporate Finance Advisory*

Unit 1805-08, 18/F  
OfficePlus @Sheung Wan  
93-103 Wing Lok Street  
Sheung Wan, Hong Kong  
香港上環永樂街93-103號  
協成行上環中心18樓1805-08室

22 August 2016

*To the Independent Board Committee  
and the Independent Shareholders of  
China Flavors and Fragrances Company Limited*

Dear Sirs,

### **REFRESHMENT OF GENERAL MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 22 August 2016 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

With reference to the Board Letter, at the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Existing General Mandate to allot and issue not more than 133,880,579 Shares, being 20% of the entire issued share capital of the Company of 669,402,897 Shares as at the date of passing of the relevant resolution. As announced in the announcement of the Company dated 30 June 2016, up to 107,032,590 Shares may be allotted and issued under the Existing General Mandate under the Convertible Bond. According to the management of the Company, as at the Latest Practicable Date, the Convertible Bond was issued. The Existing General Mandate has been utilized as to 107,032,590 Shares, representing approximately 79.95% of the aggregate number of Shares which may be allotted and issued under the Existing General Mandate. Only 26,847,989 new Shares can be further allotted and issued under the Existing General Mandate which represent (i) approximately 20.05% of the aggregate number of the Shares which may be allotted and issued under the Existing General Mandate; and (ii) approximately 3.98% of the issued share capital of the Company as at Latest Practicable Date.

---

## LETTER FROM NUADA LIMITED

---

The Company will convene the EGM at which ordinary resolution will be proposed to the Independent Shareholders that the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the Refreshment of General Mandate will be subject to the Independent Shareholders' approval by way of passing an ordinary resolution at the EGM at which any of the controlling Shareholders and their respective associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive and all their respective associates shall abstain from voting in favour of the resolution approving the Refreshment of General Mandate.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, having made all reasonable enquiries, Creative China Limited, a company owned as to 41.19% by Mr. Wang Ming Fan, 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 Wu and as to 3.94% by Mr. Li Qing Long, was holding an aggregate of 334,254,113 Shares, representing approximately 49.52% of the existing issued share capital of the Company. Full Ashley Enterprises Limited is a private company which is wholly-owned by Mr. Wang Ming Fan and was holding 18,538,098 Shares, representing approximately 2.75% of the existing issued Share Capital of the Company. Mr. Wang Ming Fan personally held 87,956,573 Shares, representing approximately 13.03% of the existing issued Share Capital of the Company. As such, Mr. Wang Ming Fan, Creative China Limited and Full Ashley Enterprises Limited are deemed to be interested in an aggregate of 440,748,784 Shares, representing approximately 65.30% of the existing issued share capital of the Company, are required to abstain from voting in favour of the resolution regarding the grant of the New General Mandate at the EGM.

The Independent Board Committee which comprises Mr. Leung Wai Man, Roger, Mr. Ng Kwun Wan and Mr. Zhou Xiao Xiong being all the independent non-executive Directors, has been established to advise the Independent Shareholders on the Refreshment of General Mandate. We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we have acted as the independent financial adviser of the Company in respect of two discloseable and connected transactions providing our independent view to the then independent board committee and the then independent shareholders of the Company, details of which are set out in the circular of the Company dated 4 December 2014. Save for the aforesaid engagement and this appointment as the Independent Financial Adviser in respect of the Refreshment of General Mandate, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection with the aforementioned engagement as well as this appointment as the Independent Financial Adviser in respect of the Refreshment of General Mandate, no other arrangement exists whereby we will receive any fees and/or benefits from the Company or any other parties that could reasonably be



---

## LETTER FROM NUADA LIMITED

---

regarded as relevant to our independence. Accordingly, we are independent from, and are not associated with the Company, or its substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the Refreshment of General Mandate.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

---

## LETTER FROM NUADA LIMITED

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Refreshment of General Mandate, we have taken into consideration the following principal factors and reasons:

#### 1. Background information of the Refreshment of General Mandate

As disclosed in the Board Letter, the Group is principally engaged in the research and development, manufacture and sale of flavors and fragrances, which are provided to the Group's customers for making addition or improvement of flavors or fragrances in the customers' manufactured tobacco, food and daily consumer good.

At the AGM, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Existing General Mandate to allot and issue not more than 133,880,579 Shares, being 20% of the entire issued share capital of the Company of 669,402,897 Shares as at the date of passing of the relevant resolution

Reference is made to the announcement of the Company dated 30 June 2016 (the "**CB Announcement**"), pursuant to which it is announced that, among others, the Company issued the Convertible Bond, the maximum number of Shares to be allotted and issued upon conversion of which will be 107,032,590 Shares, based on the initial conversion price of HK\$2.915 per Share and assuming full conversion. Such maximum number of Shares will be issued under the Existing General Mandate. Accordingly, the Existing General Mandate was utilised as to approximately 79.95% as at the Latest Practicable Date and only 26,847,989 Shares can be further allotted and issued under the Existing General Mandate, representing approximately 3.98% of the issued share capital of the Company as at the Latest Practicable Date.

The Company will convene the EGM at which ordinary resolution will be proposed to the Independent Shareholders that the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM.

As at the Latest Practicable Date, the Company had an aggregate of 675,042,640 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Refreshment of General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company would be allowed to allot and issue up to 135,008,528 Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

## **2. Reasons for the proposed Refreshment of General Mandate**

As disclosed in the circular of the Company dated 18 April 2016 (the “**MT Circular**”), the Company entered into an acquisition agreement dated 25 January 2016 (the “**Acquisition Agreement**”) with the vendors (the “**MT Vendors**”) for the acquisition (the “**Acquisition**”) of the entire issued share capital of Kimree, Inc. (the “**Target Company**” and, together with its subsidiaries, the “**Target Group**”). As disclosed in the MT Circular, the Target Group is a technology-driven company with an extensive global patent portfolio relating to core electronic cigarette technologies. The Target Group leverages strong research and development capabilities to design and develop innovative electronic cigarette products that cater to varying customer demands. The Directors believe that the Acquisition will allow the Group to distribute electronic cigarettes of the Target Group in the Group’s established network in the PRC and that the Group’s revenue base will be broadened with the sales of electronic cigarettes. Written approval of the Acquisition has been obtained from the Relevant Shareholders (as defined in the MT Circular) in lieu of holding a general meeting.

The consideration under the Acquisition Agreement amounted to RMB750.0 million (equivalent to approximately HK\$870.0 million), of which an aggregate of RMB600.0 million (equivalent to approximately HK\$696.0 million) has been paid to the MT Vendors as at the Latest Practicable Date. The remaining of RMB150.0 million (equivalent to approximately HK\$174.0 million) in total shall be paid in cash in parts within 10 business days from the date the relevant audits were completed for the financial year of 2016, 2017 and 2018 respectively.

In addition, as disclosed in the circular of the Company dated 21 June 2016 (the “**DT Circular**”), the Company entered into four business transfer agreements dated 26 April 2016 (the “**Business Transfer Agreements**”) with respective vendors (the “**DT Vendors**”) for the transfer of business (the “**Business Transfer**”) of the research and development, manufacturing and sale of tobacco and flavours respectively carried out by the DT Vendors (the “**Subject Businesses**”). The Subject Businesses from the DT Vendors consist of (i) the formulas used or owned by the DT Vendors; (ii) the relevant contracts entered into between the DT Vendors and their customers together with the information of the respective customers; (iii) the relevant contracts entered into between the DT Vendors and their suppliers together with the information of the respective suppliers; and (iv) any matter relevant to the continued operation of the Subject Businesses.

As disclosed in the DT Circular, the Company intends to further expand its business in the manufacturing of tobacco flavour, with a view to broadening the Group’s revenue source, enhancing the performance of the Group, creating value for the Shareholders and increasing Shareholders’ return. The Board believes that the Business Transfer is consistent with the development strategy of the Company. The Business Transfer Agreements and the transactions contemplated thereunder were approved by the Shareholders at the extraordinary general meeting of the Company held on 15 July 2016.

---

## LETTER FROM NUADA LIMITED

---

The considerations under the four Business Transfer Agreements, in aggregate, amounted to RMB1,552.0 million (equivalent to approximately HK\$1,800.3 million), of which (i) an aggregate RMB414.6 million (equivalent to approximately HK\$480.9 million) has been paid to the DT Vendors as at the Latest Practicable Date; and (ii) an aggregate of RMB962.4 million (equivalent to approximately HK\$1,116.4 million) has been satisfied by way of the issue of PSCS to the respective DT Vendors as at the Latest Practicable Date. Accordingly, a balance of RMB175.0 million (equivalent to approximately HK\$203.0 million) in aggregate shall be paid to the DT Vendors in cash pursuant to the Business Transfer Agreements (the “**DT Balance of Consideration**”), of which (i) RMB51.0 million (equivalent to approximately HK\$59.2 million) shall be paid in cash within 60 days after completion of the relevant Business Transfer Agreements; and (ii) the remaining of RMB124.0 million (equivalent to approximately HK\$143.8 million) shall be paid in cash in parts within 10 business days from the date the relevant audits were completed for the first, second and third (if applicable) year respectively since the date of completion of the relevant Business Transfer Agreements.

Based on the above, the remaining balance of the Acquisition Agreement of RMB150.0 million (equivalent to approximately HK\$174.0 million) and the DT Balance of Consideration of RMB175.0 million (equivalent to approximately HK\$203.0 million) amounted to approximately RMB325.0 million (equivalent to approximately HK\$377.0 million) in aggregate as at the Latest Practicable Date.

We have discussed with the management of the Company regarding the financial position of the Group and understand that as at 30 June 2016, (i) the cash and bank balances of the Group amounted to approximately RMB223.5 million; and (ii) the short term borrowings of the Group (i.e. maturity within 1 year) amounted to approximately RMB265.4 million. Since then and up to the Latest Practicable Date, there had been funds raised from the issue of the Convertible Bond of principal amount of US\$40,000,000 (equivalent to approximately HK\$312.0 million) and the loan of principal amount of US\$10,000,000 (equivalent to approximately HK\$78.0 million) (the “**Loan**”) in July, granted by a lender who is a third party independent of the Company and its connected persons (as defined in the Listing Rules) and we understand that funds have been earmarked for payments as to US\$20,000,000 for partial payments of the DT Balance of Consideration, and the remaining of US\$30,000,000 for some loan repayments of the Company.

In view of (i) the aggregate of the remaining balance of the Acquisition Agreement and the DT Balance of Consideration of approximately RMB325.0 million (equivalent to approximately HK\$377.0 million); (ii) the short term borrowings of the Group (i.e. maturity within 1 year) of approximately RMB265.4 million as at 30 June 2016; and (iii) the cash and bank balances of the Group of approximately RMB223.5 million as at 30 June 2016, we are of the view that the Company may have to raise capital and that the Refreshment of General Mandate is in the interest of the Company and the Shareholders as a whole.

---

## LETTER FROM NUADA LIMITED

---

As advised by the management of the Company, as at the Latest Practicable Date, the Company has been in discussion with some institutions for conducting proposed equity fund raising of the Company in the third quarter of 2016, the proceeds of which may be used for the repayment of loans, general working capital and/or supporting the Group's future business development. As at the Latest Practicable Date, the Company plans to utilise the New General Mandate for the proposed equity fund raising in the third quarter of 2016. Apart from the Acquisition and the Business Transfer, as at the Latest Practicable Date, the Company has no particular future business expansion and development plan for the time being. We note from the management of the Company and with reference to the date of Company's past annual general meeting, the next annual general meeting of the Company is expected to be held around May 2017, which is about nine months from the Latest Practicable Date and the New General Mandate will allow the Company to have sufficient flexibility to grasp appropriate fund raising opportunities during this period. As stated in the Board Letter, it is the intention of the Company to utilise the New General Mandate in the coming nine months. As such, the Directors consider that the Refreshment of General Mandate is justifiable.

As stated in the section headed "1. Background information of the Refreshment of General Mandate" above in this letter, approximately 79.95% of the Existing General Mandate has been utilised and only 26,847,989 Shares can be allotted and issued under the Existing General Mandate, which is approximately 3.98% of the issued share of the Company as at the Latest Practicable Date. The Board believes that the Refreshment of General Mandate will provide the Company an additional means, but not obligation, to raise fund and is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility (Please refer to the section headed "4. Flexibility in financing" below in this letter for detailed information).

Given the foregoing, we are of the opinion and concur with the view of the management of the Company, that the Refreshment of General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs during the period from the date of the EGM to the date of the next annual general meeting of the Company. Accordingly, we are of the view that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

### **3. Equity fund raising activities in the past twelve months**

Save as disclosed in the Board Letter and according to the management of the Company, the Company has not conducted any equity fund raising activities for the past twelve months prior to the Latest Practicable Date.

#### **4. Flexibility in financing**

The Company may consider to raise fund through issue of new Share under the New General Mandate for repayment of loans, general working capital and/or supporting the Group's future business development as mentioned in the section headed "2. Reasons for the proposed Refreshment of General Mandate" above in this letter and also provide additional funding option for business operation or potential investment opportunities should they arise. As advised by the management of the Company, apart from the Acquisition and the Business Transfer, the Company has not identified any investment opportunities as at the Latest Practicable Date, and there is no business arrangements, transactions, agreements, or understanding that may involve possible equity fund raising activities utilising the New General Mandate as at the Latest Practicable Date.

As discussed in the foregoing, we consider that (i) the Refreshment of General Mandate would provide the Company with the necessary flexibility to raise funds for repayment of loans and/or general working capital or to fulfil any possible funding needs for any business operation and/or investment opportunities; (ii) the maximum number of the Share that can be further allotted and issued under the Existing General Mandate is 26,847,989 Shares, representing only approximately 3.98% of the issued share capital of the Company as at Latest Practicable Date; and (iii) the forthcoming annual general meeting of the Company, according to the management of the Company, is expected to be held around May 2017, which is approximately nine months from the Latest Practicable Date, and hence the New General Mandate will allow the Company to have sufficient flexibility to grasp appropriate fund raising opportunities during this period. The Refreshment of General Mandate would provide the Company with the flexibility as allowed under the Listing Rules to allot and issue new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investments in the future as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised after the Refreshment of General Mandate would provide the Group with more financing options when assessing and negotiating potential investments in a timely manner. Given the financial flexibility available to the Company as discussed above, we are of the opinion that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

#### **5. Other financing alternatives**

We have enquired into the Directors and they confirmed that apart from equity financing, the Group may also consider debt financing, such as bank borrowings, to be other possible fund raising alternatives available to the Group. In fact, as disclosed in the CB Announcement and according to the management of the Company, the Company has issued Convertible Bond and obtained the Loan in July 2016. However, the Directors are of the view that the ability of the Group to obtain further bank borrowings usually depends on the Group's financial position as well as the prevailing market condition, and may be subject to lengthy due diligence and negotiations with banks. Also taking into account that debt financing will usually incur

---

## LETTER FROM NUADA LIMITED

---

interest burden on the Group, the Directors consider further debt financing to be relatively uncertain and time-consuming as compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

The Directors confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Group. With this being the case, along with the fact that the Refreshment of General Mandate will provide the Company an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view and concur with the view of the management of the Company that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

### 6. Potential dilution to the shareholding of the existing public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon full utilisation of the New General Mandate (assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date on which the New General Mandate, if granted, is exercised in full):

Shareholders	As at the Latest Practicable Date		Immediately upon full utilisation of the New General Mandate	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Creative China Limited ( <i>Note 1</i> )	334,254,113	49.52	334,254,113	41.26
Full Ashley Enterprises Limited ( <i>Note 2</i> )	18,538,098	2.75	18,538,098	2.29
Mr. Wang Ming Fan ( <i>Note 3</i> )	87,956,573	13.03	87,956,573	10.86
<i>Public Shareholders</i>				
Other public Shareholders	234,293,856	34.70	234,293,856	28.92
Maximum number of New Shares to be issued under the New General Mandate	—	—	135,008,528	16.67
	675,042,640	100.00	810,051,168	100.00

---

## LETTER FROM NUADA LIMITED

---

*Notes:*

- (1) As at the Latest Practicable Date, Creative China Limited is owned as to 41.19% by Mr. Wang Ming Fan, 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 Wu and as to 3.94% by Mr. Li Qing Long. Mr. Wang Ming Fan, Mr. Qian Wu and Mr. Li Qing Long were Directors of the Company and also directors of Creative China Limited.
- (2) As at Latest Practicable Date, Full Ashley Enterprises Limited is a private company which is wholly-owned by Mr. Wang Ming Fan.
- (3) Mr. Wang Ming Fan is the chairman, an executive director and a controlling shareholder of the Company.

As stated in the table above, the shareholding of the existing public Shareholders would be diluted from approximately 34.70% to approximately 28.92% upon full utilisation of the New General Mandate. We are of the view that as (i) new Shares may be issued under the New General Mandate for repayment of loans, general working capital or potential investment opportunities in a timely manner as stated in the section headed “2. Reasons for the proposed Refreshment of General Mandate” above; (ii) although the Company has not identified any investment opportunities as at the Latest Practicable Date, given that in most cases parties to a transaction prefer to look for quick completion of their deals, the Company may fail to seize and capitalise on investment opportunities should they arise if it has to wait for around nine months until the forthcoming annual general meeting of the Company for the refreshment of the Existing General Mandate; and (iii) the management of the Company confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Company as stated in the section headed “5. Other financing alternative” above in this letter, the potential dilution effect of the existing public Shareholders as just mentioned is justifiable.



---

## LETTER FROM NUADA LIMITED

---

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that the proposed Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at EGM to approve the proposed Refreshment of General Mandate.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**  
**Kevin Wong**  
*Vice President*

*Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 12 years of experience in corporate finance industry.*

*In this letter, for the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars is based on the exchange rate of RMB1 to HK\$1.16, and conversion of US\$ to Hong Kong dollars is based on the exchange rate of US\$1 to HK\$7.80. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.*

---

## NOTICE OF EGM

---



# 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 an extraordinary general meeting (the “**Meeting**”) of China Flavors and Fragrances Company Limited (the “**Company**”) will be held at Jasmine Room, Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on 8 September 2016 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as an ordinary resolution:

### ORDINARY RESOLUTION

“**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the directors (the “**Directors**”) of the Company at the annual general meeting (the “**AGM**”) of the Company held on 13 May 2016 be and is hereby revoked and replaced by the following mandate **THAT**:

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with unissued shares of HK\$0.1 each (the “**Shares**”) in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which 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 options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below); or (ii) the exercise of any options granted under the share option schemes of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles (the “**Articles**”) of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
  - (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

---

## NOTICE OF EGM

---

(ii) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the AGM), pursuant to the resolution passed at the annual general meeting of the Company on 13 May 2016;

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest 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 or the applicable laws of Cayman Islands to be held; or
- (iii) the date on 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 offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

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

Hong Kong, 22 August 2016

---

## NOTICE OF EGM

---

*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.
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 6 September 2016 to 8 September 2016, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming extraordinary 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 5 September 2016.
8. As at the date of this notice, the Board comprises seven Directors, namely Mr. Wang Ming Fan, Mr. Li Qing Long and Mr. Qian Wu as executive Directors, Ms. Sy Wai Shuen as non-executive Director and Mr. Leung Wai Man, Roger, Mr. Ng Kwun Wan and Mr. Zhou Xiao Xiong as independent non-executive Directors.