

---

## 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)

*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:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*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

18 May 2017

*To the shareholders of the Company (“Shareholders”)*

Dear Sirs,

### SCRIP DIVIDEND SCHEME

#### INTRODUCTION

On 20 March 2017, the board of directors (“**Board**”) of China Flavors and Fragrances Company Limited (“**Company**”), together with its subsidiaries, the “**Group**”) announced the audited consolidated results of the Group for the year ended 31 December 2016 and recommended the payment of the final dividend of HK\$0.03 per share (“**2016 Final Dividend**”) of the Company (“**Share(s)**”) by way of cash with an option to elect, on a separate basis, to receive wholly or

partly an allotment and issue of scrip shares (“**Scrip Shares**”), credited as fully paid, in lieu of cash payment (“**Scrip Dividend Scheme**”) to the shareholders of the Company (“**Shareholders**”) whose name appear on the Company’s register of members as at 17 May 2017 (“**Record Date**”).

At the annual general meeting of the Company held on 8 May 2017, the 2016 Final Dividend and the Scrip Dividend Scheme were approved by the Shareholders.

**SCRIP DIVIDEND SCHEME**

**Particulars of the Scrip Dividend Scheme**

Under the Scrip Dividend Scheme, each Shareholder has an option to elect, on a separate basis, to receive the 2016 Final Dividend:

- (a) by way of cash payment; or
- (b) by way of an allotment and issue of the Scrip Shares; or
- (c) by way of a combination of (a) and (b) above.

The number of Scrip Shares to be allotted and issued to a Shareholder who elects either (b) or (c) above will be calculated with reference to the amount arrived at by dividing the total amount of the 2016 Final Dividend which he/she/it elects to be made payable to him/her/it by way of Scrip Shares by the average closing price per Share on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) for the five consecutive trading days from 19 May 2017 up to and including 25 May 2017 and rounding down such figure to four decimal places.

The Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme will rank *pari passu* in all respects with the existing issued Shares, and will rank in full for all future dividends and distribution which may be declared, made or paid (except for the 2016 Final Dividend).

**Basis of allotment and issue of Scrip Shares**

For the purpose of calculating the number of Scrip Shares to be allotted to the Shareholders who elect either wholly in Shares or partly in Shares or in cash pursuant to the Scrip Dividend Scheme, the market value of a Scrip Share will be calculated on the basis of the average closing price per Share (“**Average Closing Price**”) for the 5 consecutive trading days from 19 May 2017 up to and including 25 May 2017 and rounding down such figure to four decimal places.

Accordingly, it will not be possible to determine until after the close of business on 25 May 2017 the exact number of Scrip Shares that the Shareholders will be entitled. The Company will make an announcement on or after 25 May 2017 to announce the calculation results of the price of the Scrip Shares.

The number of Scrip Shares which the Shareholders will receive in respect of the existing Shares registered in their names as at the Record Date will be calculated as follows:

$$\begin{array}{rcl}
 \text{Number of Scrip Shares} & & \text{Number of existing Shares} \\
 \text{to be Received} & & \text{held on the Record Date} \\
 \text{(to be rounded down)} & = & \text{for which the election} \\
 \text{to the nearest whole number)} & & \text{for Scrip Shares is made} & \times & \frac{\text{HK\$0.03}}{\text{Average Closing Price per Share}}
 \end{array}$$

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

Each Shareholder may elect to receive Scrip Shares in respect of all or part of his/her/its holding of Shares. No fraction of a Share will be issued. If a Shareholder chooses to take only part of his/her/its dividends as Scrip Shares, he/she/it will receive the balance in cash.

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

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

Holders of the Shares in odd lots who wish to take advantage of this matching facility either to dispose of their odd lots of Shares or to top up to board lots of 2,000 Shares, may contact Mr. Pong Cheuk Pun of Infast Brokerage Limited at 18/F, 8 Lyndhurst Terrace, 2–10 Lyndhurst Terrace, Hong Kong at telephone number 2853 1078 during the period from 9:00 a.m. on 23 June 2017 to 4:00 p.m. on 21 July 2017.

The Shareholders should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

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

### **Stock Exchange Listing and Share Certificates**

Application will be made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Scrip Shares. No part of the Scrip Shares will be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

It is expected that the cheques for cash entitlements or the share certificates for the Scrip Shares are expected to be despatched on or around 22 June 2017 to the Shareholders by ordinary mail at their own risk. The dealings in the Scrip Shares on the Stock Exchange are expected to commence on or around 23 June 2017.

### **Form of Election**

A form of election has been prepared and sent herewith for use by the Shareholders who wish to receive the 2016 Final Dividend wholly in cash or partly in cash and partly by the issue of Scrip Shares.

**Shareholders who wish to elect to receive the 2016 Final Dividend either wholly or partly in Scrip Shares must complete the form of election in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor**

**Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong so as to arrive not later than 4:30 p.m. on Friday, 5 June 2017.** Election in respect of the 2016 Final Dividend cannot be in any way withdrawn, revoked, suspended or altered after the relevant form of election is signed and lodged with the Company's branch share registrar. No acknowledgement of receipt of the form of election will be issued.

Please note that if you sign the election form but do not specify the number of Shares in respect of which you wish to receive the 2016 Final Dividend to be satisfied by the allotment and issue of the Scrip Shares or, if you elect for payment of the 2016 Final Dividend to be satisfied by the allotment and issue of the Scrip Shares in respect of a number of Shares greater than your registered holding of Shares, then in either case you will be deemed to have exercised your election for Scrip Shares in lieu of cash dividend against all the Shares registered in your name(s) in respect of the 2016 Final Dividend.

If you do not complete and return the form(s) of election before the time and in the manner stated above, you will receive the whole of the 2016 Final Dividend in cash, as the case may be.

### **Overseas Shareholders**

As at 12 May 2017, the latest practicable date before printing this circular, no Shareholders had a registered address outside Hong Kong as appeared on the register of members of the Company. Should there be any Shareholder whose registered address is outside Hong Kong as shown in the register of members of the Company on the Record Date, the Company will make enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange for considering whether to exclude such Shareholder from the Scrip Dividend Scheme and it may only exclude such Shareholder on the basis that, having made such enquiry, it would be necessary or expedient to do so.

### **General**

Whether or not it is to your advantage to receive the Scrip Shares or cash, in whole or in part, depends upon your own individual circumstances and the decision in this regard and all effects result therefrom is the responsibility of each Shareholder.

Shareholders who are trustees are recommended to seek professional advice as to whether the choice of accepting the 2016 Final Dividend in scrip form is within their powers and its effect having regard to the terms of the relevant trust instrument.

Dealings in the Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearing and settlement in the Central Clearing and Settlement System and Shareholders should seek the advice of his/her/its stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect his/her/its rights and interests.

Shareholders should note that an acquisition of Scrip Shares under the Scrip Dividend Scheme may give rise to notification requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Qualifying Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

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