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Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the prospectus (the "Prospectus") of China Flavors and Fragrances Company Limited (the "Company") dated 30th November, 2005.

All times and dates of this announcement refer to Hong Kong local time and date.



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)

**STABILIZING ACTIONS, END OF STABILIZATION PERIOD AND
PARTIAL EXERCISE OF OVER-ALLOTMENT OPTION**

The Company announces that the stabilization period in connection with the Share Offer ended on 4th January, 2006.

The stabilizing actions undertaken by Sun Hung Kai, as stabilizing manager, during the stabilization period were:

- (1) over-allocations of 15,000,000 Shares in the Placing; and
- (2) the purchase of 7,108,000 Shares in the price range of HK\$1.17 to HK\$1.18 per Share on the market, representing 7.108% of the total number of Shares initially offered under the Share Offer before any exercise of the Over-allotment Option, for the sole purpose of returning to Creative China part of the 15,000,000 Shares borrowed by Sun Hung Kai pursuant to the Stock Borrowing Agreement to cover the over-allocations as mentioned in item (1) above.

The Company further announces that the Over-allotment Option referred to in the Prospectus was partially exercised by Sun Hung Kai (for itself and on behalf of the Placing Underwriters) on 4th January, 2006 in respect of an aggregate of 7,892,000 Shares (representing approximately 7.892% of the Shares initially offered under the Share Offer), for the sole purpose of returning to Creative China the balance of the 15,000,000 Shares borrowed by Sun Hung Kai to cover the over-allocations as mentioned in item (1) above. The said 7,892,000 Shares will be issued and allotted by the Company at HK\$1.18 per Share (excluding brokerage of 1%, SFC transaction levy of 0.005% and the Stock Exchange trading fee of 0.005%), being the Offer Price per Share in connection with the Share Offer.

This announcement is made pursuant to Section 9(2) of the Securities and Futures (Price Stabilizing) Rules (Cap. 571W of the Laws of Hong Kong). The Company announces that the stabilization period in connection with the Share Offer ended on 4th January, 2006.

The stabilizing actions that have been taken by Sun Hung Kai, as stabilizing manager, during the stabilization period were:

- (1) over-allocations of 15,000,000 Shares in the Placing; and
- (2) the purchase of 7,108,000 Shares in the price range of HK\$1.17 to HK\$1.18 per Share on the market, representing 7.108% of the total number of Shares initially offered under the Share Offer before any exercise of the Over-allotment Option, for the sole purpose of returning to Creative China part of the 15,000,000 Shares borrowed by Sun Hung Kai pursuant to the Stock Borrowing Agreement to cover the over-allocations as mentioned in item (1) above.

The last purchase made in the course of the stabilization period on the market was on 13th December, 2005 at the price of HK\$1.18 per Share.

The Company announces that the Over-allotment Option referred to in the Prospectus was partially exercised by Sun Hung Kai (for itself and on behalf of the Placing Underwriters) on 4th January, 2006 in respect of an aggregate of 7,892,000 Shares (the “Over-allotment Shares”) (representing approximately 7.892% of the Shares initially offered under the Share Offer). The Over-allotment Shares will be issued and allotted by the Company at HK\$1.18 per Share (excluding brokerage of 1%, SFC transaction levy of 0.005% and the Stock Exchange trading fee of 0.005%), being the Offer Price per Share in connection with the Share Offer.

Sun Hung Kai (for itself and on behalf of the Placing Underwriters) has borrowed 15,000,000 Shares from Creative China pursuant to the Stock Borrowing Agreement to solely cover over-allocations in the Placing. The Over-allotment Shares will be used to facilitate the return to Creative China of the borrowed Shares which were used solely to cover over-allocations in the Placing.

Approval for listing of and permission to deal in the Over-allotment Shares was granted by the Listing Committee of the Stock Exchange. The Over-allotment Shares are expected to be issued to Creative China on Friday, 6th January 2006.

The shareholding structure of the Company immediately following the completion of the Share Offer (assuming the Over-allotment Option is not exercised) and immediately after the partial exercise of the Over-allotment Option is as follows:

Shareholders	Immediately before partial exercise of the Over-allotment Option		Immediately after partial exercise of the Over-allotment Option	
	Number of Shares	Approximate percentage of issued share capital	Number of Shares	Approximate percentage of issued share capital
Creative China	300,000,000	75.0%	300,000,000	73.55%
Public	<u>100,000,000</u>	<u>25.0%</u>	<u>107,892,000</u>	<u>26.45%</u>
Total	<u>400,000,000</u>	<u>100.0%</u>	<u>407,892,000</u>	<u>100.0%</u>

After deducting the expenses (comprising principally of the underwriting commission, the SFC transaction levy and the Stock Exchange trading fee), the Company will receive additional net proceeds of approximately HK\$9.1 million from the issue and allotment of the Over-allotment Shares upon the partial exercise of the Over-allotment Option. Such additional proceeds will be used by the Group as described in the section headed “Future Development Plan and Proposed Use of the Net Proceeds from the Share Offer” in the Prospectus.

Immediately after the issue of the Over-allotment Shares, the total number of Shares in issue will be 407,892,000, of which an aggregate of 107,892,000 Shares will be held by the public, representing approximately 26.45% of the total number of Shares in issue as enlarged by the Over-allotment Shares.

As at date of this announcement, the executive Directors are Mr. Wong Ming Bun (Chairman), Mr. Wang Ming Fan (Managing Director) and Mr. Li Qing Long; the independent non-executive Directors are Mr. Goh Gen Cheung, Mr. Leung Wai Man, Roger and Mr. Zhou Xiao Xiong.

By Order of the Board
Wong Ming Bun
Chairman

Hong Kong, 4th January, 2006

Please also refer to the published version of this announcement in South China Morning Post.