

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



WAH YUEN HOLDINGS LIMITED

華園控股有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 2349)

ANNOUNCEMENT

PLACING OF UP TO HK\$122,000,000 3% CONVERTIBLE NOTES DUE 2010 AND RESUMPTION OF TRADING

PLACING OF CONVERTIBLE NOTES

Reference is made to the announcement of the Company on 17 October 2007 where the Board announced that the Company has entered into discussions with an Independent Third Party for a possible issue of convertible securities of the Company.

On 22 October 2007, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to place, on a best effort basis, up to an aggregate principal amount of HK\$122,000,000 Convertible Notes subject to the conditions set out in the Placing Agreement.

Assuming the Convertible Notes are converted in full at the initial Conversion Price of HK\$1.43 each, a total of 85,314,685 Conversion Shares (rounded down to the nearest whole number) will be allotted and issued, representing approximately 15.41% of the entire issued share capital of the Company as at the date of this announcement and 13.35% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Assuming the Convertible Notes are converted in full at the Minimum Reset Conversion Price of HK\$1.144, a total of 106,643,356 Conversion Shares (rounded down to the nearest whole number) will be allotted and issued representing approximately 19.26% of the entire issued share capital of the Company as at the date of this announcement and 16.15% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Changes of the shareholding structure of the Company are set out under the heading "Effect on Shareholding Structure of the Company" below.

Completion of the Placing is conditional upon the fulfillment of the conditions as listed under the heading “Conditions” below. The Conversion Shares falling to be issued upon exercise of the Conversion Rights attaching to the Convertible Notes will, when issued, rank pari passu with all other Shares then in issue.

As the Placing is subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

The terms of the Placing Agreement have been arrived at after arms length negotiations. The Directors (including independent non-executive Directors) consider those terms to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The maximum gross and net proceeds from the Placing will be HK\$122 million and approximately HK\$115 million, respectively. The net proceeds are expected to be applied for capital expenditures on factories as well as general working capital including expanding domestic and overseas network, marketing and research and development and financing of future investments in furtherance of its business.

The Conversion Shares will be allotted and issued pursuant to the existing general mandate granted to the Directors at the annual general meeting held on 13 June 2007.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, dealings in the Shares on the Stock Exchange have been suspended from 2:30 p.m. on 22 October 2007 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 25 October 2007.

THE PLACING AGREEMENT

Reference is made to the announcement of the Company on 17 October 2007 where the Board announced that the Company has entered into discussions with an Independent Third Party for a possible issue of convertible securities of the Company.

On 22 October 2007, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to place, on a best effort basis, up to an aggregate principal amount of HK\$122,000,000 Convertible Notes subject to the conditions set out in the Placing Agreement.

Issuer

The Company

Placing agent

BOCI Asia Limited is the placing agent. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties and did not have any previous transactions, dealings or relationship with the Group.

Placees

1. Evolution Master Fund Ltd. SPC, Segregated Portfolio M (“**Evolution**”) conditionally agreeing to purchase the Convertible Notes with a principal amount of HK\$37,500,000 subject to, among other things, completion of the Placing Agreement; and
2. BOCI Financial Products Limited (“**BOCI FP**”), an affiliate of the Placing Agent, conditionally agreeing to purchase the Convertible Notes with a principal amount of HK\$84,500,000 subject to, among other things, completion of the Placing Agreement.

The Placing Agent shall place the Convertible Notes on a best effort basis to the Placees. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries as at this announcement, each of the Placees and their respective ultimate beneficial owners are Independent Third Parties.

Conversion Shares

Assuming the Convertible Notes are converted in full at the initial Conversion Price of HK\$1.43 each, a total of 85,314,685 Conversion Shares (rounded down to the nearest whole number), with an aggregate nominal value of HK\$853,146.85, will be allotted and issued representing approximately 15.41% of the entire issued share capital of the Company as at the date of this announcement and 13.35% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Assuming the Convertible Notes are converted in full at the Minimum Reset Conversion Price of HK\$1.144, a total of 106,643,356 Conversion Shares (rounded down to the nearest whole number), with an aggregate nominal value of HK\$1,066,433.56, will be allotted and issued representing approximately 19.26% of the entire issued share capital of the Company as at the date of this announcement and 16.15% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Ranking

The Convertible Notes constitute direct, general, unsubordinated, unconditional and unsecured obligations of the Company and rank pari passu without any preference among themselves and will at all times rank pari passu to all outstanding unsecured and unsubordinated obligations of the Company.

The Conversion Shares will, when issued, rank pari passu with all other Shares in issue as at the date of allotment and issue of such Conversion Shares.

Conditions

The obligations of the Placing Agent under the Placing Agreement and completion of which are conditional upon the following:

- (a) the execution and delivery of the Contracts by the respective parties;
- (b) the representations and warranties set out in the Placing Agreement being true and correct in all material respects as of the date of the Placing Agreement and as of the Closing Date;
- (c) the Company having performed all of its obligations required to be performed by it under the Placing Agreement (to the extent required to be performed by it on or before the Closing Date);
- (d) there having been, as at the Closing Date, no change (nor any development or event involving a prospective change of which the Company is, or might reasonably be expected to be, aware) which is materially adverse to the condition (financial or other), business, properties, shareholders' equity, results of operations or general affairs of the Group, since 31 December 2006, and with respect of the CEWH Group since 31 March 2007 respectively;
- (e) there having been delivered to the Placing Agent certificates dated the Closing Date, signed by a duly authorised officer of the Company to the effect stated in (b) – (d) above;
- (f) there having been delivered to the Placing Agent certain legal opinions on Hong Kong laws; British Virgin Islands laws, the PRC laws and the Cayman Islands laws;
- (g) the Listing Committee of the Stock Exchange having granted an approval for the listing of and permission to deal in the Shares to be issued upon conversion of the Convertible Notes;
- (h) the Company shall have obtained its Shareholders' approval and all other necessary government and/or regulatory and internal approvals for the transaction contemplated under the VSA;
- (i) the Placing Agent shall have been satisfied in its sole and absolute discretion with the results of the due diligence investigations conducted by it (or its agent(s) or adviser(s)) on the Company, its Subsidiaries and the CEWH Group (whether legal, financial position, business, assets or otherwise);
- (j) on or before the Closing Date, there having been delivered to the Placing Agent any other documents (including, but not limited to, any resolutions, consents and authorities) which are necessary for and incidental to the issue of the Convertible Notes and those as the Placing Agent may reasonably require; and
- (k) the VSA having been duly completed in accordance with the terms and conditions of the sale and purchase agreement dated 29 June 2007 entered into between a Subsidiary of the Company and the parties named therein.

The Placing is conditional on the completion of the VSA (condition (k above)) but completion of the VSA is not conditional upon the Placing.

The Placing Agent may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of conditions (other than condition (g) above).

If any of the above conditions is not satisfied or waived on or prior to 6 December 2007, the parties thereto shall be released and discharged from their respective obligations relating to the Convertible Notes save for any antecedent breach of the terms of the Placing Agreement prior to such date.

Completion

Subject to the above conditions, completion of the Placing is expected to take place on or about the Closing Date.

Termination

The Placing Agreement contains provisions entitling the Placing Agent to terminate the Placing Agreement at any time prior to payment for the Convertible Notes to the Company on the Closing Date upon the occurrence of the following events:

- (a) if there shall have come to the notice of the Placing Agent any breach by the Company of, or any event rendering untrue or incorrect (as the case may be), any of the warranties and representations (assuming and deeming them to have been repeated at the time of the occurrence) contained in the Placing Agreement or any failure to perform any of the Company's undertakings or agreements in the Placing Agreement (to the extent required to be performed by it on or before the Closing Date);
- (b) if any of the conditions as set out in the paragraph headed "Conditions" above has not been satisfied or waived by the Placing Agent by the Closing Date; or (i) if, in the Placing Agent's sole and absolute opinion, since the date of the Placing Agreement, there shall have been such a change (whether or not foreseeable at the date of the Placing Agreement) in national or international financial, political or economic conditions or currency exchange rates or exchange controls as would in its view be likely to prejudice materially the success of the offering and distribution of the Convertible Notes or dealings in the Convertible Notes in the secondary market or (ii) if there occurs any disruption to trading generally on the New York Stock Exchange, the NASDAQ Stock Market, the London Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange or the Stock Exchange or (iii) there occurs a suspension in trading in the Company's securities on the Stock Exchange for a consecutive period of 5 trading days (save in respect of any suspension in trading of the Shares for the purposes of clearing an announcement in respect of the issue of the Convertible Notes or otherwise in relation to the transactions contemplated in or relating to the Placing Agreement);
- (c) if, in the Placing Agent's sole and absolute opinion, there occurs any attack on, outbreak or escalation of hostilities, act of terrorism, disease or social instability involving the United States, the United Kingdom, the PRC, British Virgin Islands, the Cayman Islands or Hong Kong; or

- (d) a banking moratorium has been declared by any authorities in the United States, the United Kingdom, the PRC, British Virgin Islands, the Cayman Islands or Hong Kong.

If the obligations of the Placing Agent under the Placing Agreement is so terminated, the Placing will not proceed. No party shall be under any liability to any other in respect of the Placing Agreement, except that the Company shall remain liable for payment of all properly and reasonably incurred costs and expenses pursuant to the Placing Agreement.

Lock Up Undertakings

Neither the Company nor any of its Affiliates or any person acting on its or their behalf will, for a period from the date of the Placing Agreement up to 90 days after the Closing Date (“**Lock-up Period**”), without the prior written consent of the Placing Agent:

- (a) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its Affiliates), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the Lock-up Period; and
- (b) issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of the Company) or repurchase any Shares or securities of the Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of the Company or agree to do any of the foregoing,

save for the issue of the Shares pursuant to (a) the conversion provisions of the Convertible Notes; (b) any obligation in existence at the date of the Placing Agreement (c) the terms and conditions of the convertible notes in relation to the VSA and (d) the outstanding share option granted under the Share Option Scheme or which has otherwise been disclosed to the Placing Agent, and save further for the granting of any options under the Share Option Scheme.

Listing

The Convertible Notes will not be listed on any stock exchange. An application will, however, be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

Principal Terms of the Convertible Notes

The principal terms of the Convertible Notes are summarized as follows:

- Aggregate principal amount: Up to HK\$122,000,000 Convertible Notes due 2010.
- Interest: 3% per annum, payable semi-annually in arrears.
- Maturity Date: Three years from the Closing Date.
- Conversion Period: The Convertible Notes are convertible in whole or in part into new Shares from the issuance of the Convertible Notes until 10 Business Days prior to the Maturity Date (as defined above) at the Conversion Price (subject to adjustment) subject to redemption as further elaborated below.
- Conversion Price: The initial conversion price at which each Conversion Shares shall be issued upon exercise of the Conversion Right is HK\$1.43 (subject to adjustments).

The initial Conversion Price represents:

- (i) a discount of approximately 4.03% over the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on 22 October 2007 before suspension of trading of the Shares pending the release of this announcement (the “**Suspension**”);
- (ii) a premium of approximately 2.88% to the average of the closing prices of HK\$1.39 per Share for the 5 consecutive trading days as quoted on the Stock Exchange up to and before Suspension; and
- (iii) a premium of approximately 8.50% to the average of the closing prices of HK\$1.32 per Share for the 10 consecutive trading days as quoted on the Stock Exchange up to and before Suspension.

The initial Conversion Price was determined after arm’s length negotiations between the Company and the Placing Agent with reference to recent market prices of the Shares.

The Conversion Price is subject to usual anti-dilution adjustments in events of:

- (i) consolidation, subdivision or reclassification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distributions;

- (iv) rights issue of Shares or options, warrants or other rights to subscribe for Shares at less than the Current Market Price to Shareholders;
- (v) rights issue of other securities of the Company to Shareholders;
- (vi) issue of any Shares or options, warrants or other rights to subscribe for Shares (other than event (iv)) at less than the Current Market Price;
- (vii) issue of any securities, other than an issue arising from a conversion or exchange of other securities in accordance with the terms applicable and events (iv), (v) and (vi), at less than the Current Market Price;
- (viii) modification of rights of conversion, exchange or subscription attached to such securities as mentioned in event (vii) so that the consideration per Share is less than the Current Market Price;
- (ix) offers, other than events (iv), (v), (vi) and (vii), to Shareholders who hold at least 60% of the Shares outstanding at the time such offer is made; and
- (x) the modification rights of conversion, exchange, purchase or subscription attaching to any options, rights or warrants or any securities convertible into or exchangeable for Shares (other than pursuant to and as provided in the existing terms and condition of such options, right, warrants or securities) or any events or circumstances not referred in any of the events in (i) to (ix) which have or would have a negative effect on the position of the Convertible Noteholders as a class compared with the position of the holders of the securities of the Company after having consulted with an independent investment bank of good repute selected by the Company.

The Conversion Price is further subject to the Conversion Price Reset, which is further elaborated below.

Conversion Price Reset:

The Conversion Price shall be adjusted on each of the first and second anniversaries of the date of issue if the volume weighted average trading price of the Shares over the preceding calendar month (the “**Reference Price**”) is less than 85% of the Conversion Price then in effect. In such case, the Conversion Price will be adjusted downward so that the Reference Price will become the Conversion Price with effect from the date of such effect; *provided, that* any adjustment to the Conversion Price pursuant to the reset on a cumulative basis will be limited to 80% of the initial Conversion Price (the “**Minimum Reset Conversion Price**”).

Based on the initial Conversion Price of HK\$1.43, the Minimum Reset Conversion Price will be HK\$1.144.

Conversion Shares:

The Conversion Shares will be allotted and issued pursuant to the existing general mandate granted to the Directors to allot, issue or otherwise deal with 107,000,000 Shares representing 20% of the issued share capital of the Company of 535,000,000 Shares existed as at the annual general meeting held on 13 June 2007.

Assuming the Convertible Notes are converted in full at the initial Conversion Price of HK\$1.43 each, a total of 85,314,685 Conversion Shares (rounded down to the nearest whole number) will be allotted and issued representing approximately 15.41% of the entire issued share capital of the Company as at the date of this announcement and 13.35% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. After the issue of 85,314,685 Conversion Shares, a total of 21,685,315 Shares under the existing general mandate will remain unused.

Assuming the Convertible Notes are converted in full at the Minimum Reset Conversion Price of HK\$1.144, a total of 106,643,356 Conversion Shares (rounded down to the nearest whole number) will be allotted and issued representing approximately 19.26% of the entire issued share capital of the Company as at the date of this announcement and 16.15% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. After the issue of 106,643,356 Conversion Shares, a total of 356,644 Shares under the existing general mandate will remain unused.

The Conversion Shares will be issued free from any encumbrances or third party rights of any kind and will rank pari passu in all respects with the existing issued Shares together with all rights to dividends and other distribution declared, made or paid after the relevant registration date of the Conversion Shares concerned.

Redemption at option
of the Company:

The Company may redeem the Convertible Notes

- (a) in whole but not in part, at the Early Redemption Price (plus any accrued and unpaid interest and additional interest, if any) at any time after the 18th months from the date of issue of the Convertible Notes in the event that the volume weighted average price of the Shares on the Stock Exchange or the Alternative Stock Exchange, as the case may be, exceeds 130% of the Conversion Price for at least 30 consecutive Trading Days prior to such redemption; and
- (b) in whole but not in part, at a price equal to the Early Redemption Price (plus any accrued and unpaid interest and additional interest, if any) in the event at least 90% of the Convertible Notes issued and outstanding has been redeemed, converted, repurchased or cancelled.

Redemption for taxation
reasons:

The Company may at any time, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Convertible Noteholder(s), redeem the outstanding Convertible Notes in whole but not in part at the early redemption amount calculated pursuant to the terms and conditions of the Convertible Notes on the date specified in such notice, together with interest accrued to the redemption date if (i) the Company has or will become obliged to pay additional amounts of taxes, duties, assessments or governmental charges as a result of any change in, or amendment to, the applicable laws or regulations and (ii) such obligation may not be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts when a payment in respect of the Convertible Notes then due.

Redemption for delisting:

In the event of Delisting and subject to certain conditions being satisfied, the Convertible Noteholders shall have the right to require the Company to redeem all but not in part of the Convertible Notes of such Convertible Noteholder at the Early Redemption Price together with any accrued and unpaid interest and additional interest, if any.

Redemption at option of the
Convertible Noteholder(s):

After the second anniversary of the date of issue of the Convertible Notes, each Convertible Noteholder will have the right to require the Company to redeem in whole or in part the Convertible Notes of such Convertible Noteholder at the Early Redemption Price (plus any accrued and unpaid interest and additional interest, if any) of the Convertible Notes.

Redemption for change of control	<p>Following the occurrence of a Change of Control, the Convertible Noteholders may require the Company to redeem in whole but not in part the Convertible Notes at the Early Redemption Price together with any accrued and unpaid interest and additional interest, if any.</p> <p>A “Change of Control” occurs when:</p> <ul style="list-style-type: none"> (i) any Person (other than China Water Affairs Group Limited (stock code 855 as listed under the Stock Exchange) and Mr. Duan Chuan Liang (段傳良), a director and a substantial shareholder of China Water Affairs Group Limited through his direct wholly owned company), directly or indirectly, or as the beneficiary of a trust, acting individually or together or their Affiliates, executors, administrators, or successors, acquires control of the Company; or (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Shares or assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such Person acquiring control over the Company or the successor entity. <p>For the purpose of the definition of “Change of Control”, “control” means the acquisition or control of more than 30% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.</p>
Redemption on maturity:	<p>Unless previously redeemed, converted or purchased and cancelled, the Company may redeem the Convertible Notes at 135.32% of their principal amount on the Maturity Date (as defined above).</p>
Voting rights:	<p>Convertible Noteholder(s) shall not be entitled to receive notice of, attend or vote at any general meeting of the Company by virtue of them being the Convertible Noteholder(s).</p>
Form of the Convertible Note:	<p>The Convertible Notes will be registered instruments, title to which will pass only by transfer and registration in the register of the Convertible Noteholders. The Convertible Notes will be represented or issued by a global note, which will be in registered form in the name of a nominee of, and will be deposited with a common depositary for, Euroclear Bank S.A./N.V. and Clearstream Banking, societe anonyne S.S. Luxembourg.</p>

Denomination:	HK\$100,000 per Convertible Note.
Negative pledge:	The Company shall not create or permit to subsist, and the Company will procure that none of its Subsidiaries will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance upon the whole or any part of its undertaking, property, assets or revenues, present or future, to secure any Investment Securities unless, at the same time or prior thereto, the Company's obligations under the Convertible Notes (i) are secured equally and rateably therewith (or so guaranteed), or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement.
Transferability:	The Convertible Notes are transferable at any time. The Company undertakes to the Stock Exchange that it will notify the Stock Exchange immediately upon becoming aware of any dealings in the Convertible Notes by any connected persons of the Company.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement and the effect of full conversion of the Convertible Notes at (i) the initial Conversion Price and (ii) the Minimum Reset Conversion Price, assuming no change in the shareholding structure of the Company during the period between the date of this announcement and upon conversion of the Convertible Notes are as follows:

Name of Shareholders	As at the date of this announcement		Immediately after allotment and issue of the Conversion Shares at the initial Conversion Price		Immediately after allotment and issue of the Conversion Shares at the Minimum Reset Conversion Price		Immediately after allotment and issue of the Conversion Shares at the initial Conversion Price and upon issue of consideration shares and partial conversion of the convertible bonds after completion of VSA		Immediately after allotment and issue of the Conversion Shares at the Minimum Reset Conversion Price and upon issue of consideration shares and partial conversion of the convertible bonds after completion of VSA	
	Number of Shares held	(approx.) %	Number of Shares held	(approx.) %	Number of Shares held	(approx.) %	Number of Shares held	(approx.) %	Number of Shares held	(approx.) %
Able Success Group Limited and Mr. But Ka Wai (Note 1)	151,562,000	27.38	151,562,000	23.72	151,562,000	22.95	151,562,000	16.63	151,562,000	16.09
National Chain International Limited and Mr. But Chai Tong (Note 2)	55,500,000	10.02	55,500,000	8.69	55,500,000	8.41	55,500,000	6.09	55,500,000	5.89
Sharp Profit Investments Limited (Note 3)							272,529,195	29.90	281,626,588	29.90
BOCI FP (Note 4)					73,863,636	11.19				
Public Shareholders										
Evolution			26,223,776	4.10	32,779,720	4.96	26,223,776	2.88	32,779,720	3.48
BOCI FP			59,090,909	9.25			59,090,909	6.48	73,863,636	7.84
Public	<u>346,563,000</u>	<u>62.60</u>	<u>346,563,000</u>	<u>54.24</u>	<u>346,563,000</u>	<u>52.49</u>	<u>346,563,000</u>	<u>38.02</u>	<u>346,563,000</u>	<u>36.80</u>
Sub total of public Shareholders	<u> </u>	<u>62.60</u>	<u>431,877,685</u>	<u>67.59</u>	<u>379,342,720</u>	<u>57.45</u>	<u>431,877,685</u>	<u>47.38</u>	<u>453,206,356</u>	<u>48.12</u>
Total	<u>553,625,000</u>	<u>100.00</u>	<u>638,939,685</u>	<u>100.00</u>	<u>660,268,356</u>	<u>100.00</u>	<u>911,468,880</u>	<u>100.00</u>	<u>941,894,944</u>	<u>100.00</u>

Notes:

1. Mr. But Ka Wai, the Chairman and an executive Director of the Company, wholly and beneficially owns the entire issued share capital of Able Success Group Limited. Mr. But Ka Wai is the younger brother of Mr. But Chai Tong.
2. Mr. But Chai Tong, the Vice Chairman and an executive Director of the Company, wholly and beneficially owns the entire issued share capital of National Chain International Limited. Mr. But Chai Tong is the elder brother of Mr. But Ka Wai.

3. The entire issued share capital of Sharp Profit Investments Limited is wholly and beneficially owned by China Water Affairs Group Limited. As at the date of this announcement, the VSA has not been completed and none of the consideration shares and the convertible bonds to be issued under the VSA has been issued.
4. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, BOCI FP and its ultimate beneficial owners are independent of the CEWH Group and connected persons of the CEWH Group and their parties acting in concert. BOCI FP may become a substantial Shareholder after full conversion of the Convertible Notes. However, it is not anticipated that BOCI FP will appoint or nominate any Director(s) on the Board upon full conversion of the Convertible Notes.

As at the date of this announcement, the Company has 18,312,500 outstanding options granted under the Share Option Scheme. Save for the said options and the obligations of the Company to issue a total of 1,200,333,333 new Shares pursuant to full conversion of the convertible bonds to be issued under the VSA, the Company has no outstanding convertible securities, which will confer any right to the holder(s) thereof to subscribe for, convert or exchange into new Shares.

REASONS FOR THE PLACING OF THE CONVERTIBLE NOTES

The Company is an investment holding company. The principal activities of the Company's Subsidiaries comprise manufacturing, distribution and marketing of snack food products and convenience frozen food products in Hong Kong and the PRC, as well as trading and investment holding.

For the last three financial years ended 31 December, 2006, the Group has been experiencing intense competition in the industry, resulting in a reduction in the profit margin of the Group and a reduction in the net profits of the Group when compared to the results three years ago. The Group has recently acquired the Seabuckthorn Group business in order to diversify its revenue and profit bases and broaden the product mix of the Group. Apart from the acquisition of the Seabuckthorn Group business, the Group is exploring more investment opportunities to further diversify its investments and business. As at the date of the announcement, the Company has not identified any concrete investment opportunities.

The Directors consider the timing of the fund raising by the Placing is appropriate as the recent stock market has shown strong sentiment and the Placing will be attractive to the potential investors. The Directors consider that the Placing represents an opportunity to raise capital for the Group to invest in more diversified businesses with a view to further strengthen the financial position of the Group and to enhance the general working capital base and the existing business of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement, which were arrived at after arm's length negotiations between the Company and the Placing Agent are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The maximum gross proceeds from the Placing will be HK\$122 million and the net proceeds, after deduction of related expenses of approximately HK\$7 million, including but not limited to commissions payable to the Placing Agent, legal costs and printing charges and other miscellaneous expenses to be incurred in relation to the Placing, are expected to be approximately HK\$115 million. The net proceeds of approximately HK\$115 million arising from the Placing are intended to be used for capital expenditures on

factories as well as general working capital including expanding domestic and overseas network, marketing and research and development and financing of future investments in furtherance of its business. As at the date of this announcement, the Company has not determined the exact breakdown of its intended use of the net proceeds. The net price per Conversion Share is HK\$1.35.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company did not have any fund raising activities in the past 12 months immediately preceding the date of this announcement.

As the Placing is subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF DEALINGS IN THE SHARES

At the request of the Company, dealings in the Shares on the Stock Exchange have been suspended from 2:30 p.m. on 22 October 2007 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 25 October 2007

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Alternative Stock Exchange”	at any time, if the Shares do not have a primary listing on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in
“Affiliate”	with respect to any specified Person, any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” and “under common control with” have meanings correlative to the foregoing;
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Business Day”	a day other than a Saturday or Sunday or a day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on which commercial banks are open for business during their normal business hours in Hong Kong
“CEWH”	China Environmental Water Holdings Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of China Water Affairs Group Limited, a company whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 855)
“CEWH Group”	CEWH and its Subsidiaries
“Change of Control”	<p>(i) any Person (other than China Water Affairs Group Limited (stock code 855 listed under the Stock Exchange) and Mr. Duan Chuan Liang (段傳良)) directly or indirectly, or as the beneficiary of a trust, acting individually or together or their Affiliates, executors, administrators, or successors, acquires control of the Issuer; or</p> <p>(ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Shares or assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such Person acquiring control over the Issuer or the successor entity.</p> <p>For the purpose of the definition of “Change of Control”, “control” means the acquisition or control of more than 30% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise</p>
“Closing Date”	on or about 21 November 2007 or such other date as the parties to the Placing Agreement may agree
“Company”	Wah Yuen Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Contracts”	the Placing Agreement together with related documentations for the issue and operation of the Convertible Notes

“Conversion Price”	HK\$1.43, being the price payable by a Convertible Noteholder for the subscription of the Conversion Shares (subject to adjustment)
“Conversion Price Reset”	has the meaning ascribed to it under the paragraph headed “Principal Terms of the Convertible Notes” above
“Conversion Right”	the right of a Convertible Noteholder to convert the Convertible Notes into Conversion Shares
“Conversion Shares”	new Shares to be allotted and issued by the Company upon conversion of the Convertible Notes
“Convertible Notes”	the 3% convertible note(s) in an aggregate principal amount of HK\$122,000,000 due 2010
“Convertible Noteholder(s)”	holder(s) of the Convertible Notes from time to time
“Current Market Price”	in respect of a Share at a particular time on a particular date, the average of the volume weighted average trading prices quoted by the Stock Exchange or by the Alternative Stock Exchange, as the case may be, for one Share (being a Share carrying full entitlement to Dividend (as defined in the terms and conditions of the Convertible Notes)) for the 20 consecutive trading days ending on the trading day immediately preceding such date
“Delisting”	either (a) the Shares cease to be listed or admitted to trading or are suspended from trading for a continuous period of 10 or more Trading Days on the Stock Exchange or the Alternative Stock Exchange (as the case may be), or (b) the Shares cease to be listed or admitted to trading or are suspended from trading for a continuous period of 7 or more Trading Days on the Stock Exchange or the Alternative Stock Exchange (as the case maybe) and such suspension occurs more than twice within any calendar year, save as otherwise agreed by the Convertible Noteholder(s) holding not less than 75% in principal of the Convertible Notes in writing
“Director(s)”	the director(s) of the Company
“Early Redemption Price”	a price at which the Convertible Notes will be redeemed which will provide a Convertible Noteholder a yield of 13% per annum calculated on a semi-annual basis from the date of issue of the Convertible Notes up to the relevant redemption date
“Group”	the Company and its Subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party (Parties)”	party/parties who, to the best of the knowledge, information and belief having made all reasonable enquiries of the Directors, is/are third party/parties independent of the Company and connected persons of the Company
“Investment Securities”	any present or future indebtedness in the form of, or represented by, bonds, debentures, Convertible Notes or other investment securities which are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Period”	has the meaning ascribed to it under the paragraph headed “Lock Up Undertakings”
“Maturity Date”	has the meaning ascribed to it under the paragraph headed “Principal Terms of the Convertible Notes”
“Minimum Reset Conversion Price”	has the meaning ascribed to it under the paragraph headed “Principal Terms of the Convertible Notes” above
“Person”	any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof
“Placing”	the placing of HK\$122,000,000 aggregate principal amount of 3% unsecured and unsubordinated Convertible Note due 2010 under the Placing Agreement
“Placing Agent”	BOCI Asia Limited, a corporation licensed to carry on types 1 and 6 regulated activities within the meaning of the SFO and an Independent Third Party
“Placing Agreement”	the placing agreement dated 22 October 2007 entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan

“Reference Price”	has the meaning ascribed to it under the paragraph headed “Principal Terms of the Convertible Notes” above
“Seabuckthorn Group”	Conseco Seabuckthorn Co. Ltd., a sino foreign equity joint venture established under the laws of the PRC, whose equity interest is held as to 50% by CEWH, and its Subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the Company’s share option scheme adopted on 3 June 2003
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Tax Redemption Notice”	has the meaning ascribed to it under the paragraph headed “Principal Terms of the Convertible Notes” above
“Trading Days”	a day when the Stock Exchange or an Alternative Stock Exchange, as the case may be, is open for dealing business
“VSA”	a very substantial acquisition conducted on the part of the Company whereby a wholly-owned Subsidiary of the Company acquired 100% equity interest in CEWH and its Subsidiaries, including Seabuckthorn Group, details of which are set out in the circular of the Company dated 24 September 2007
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Wah Yuen Holdings Limited
But Ka Wai
Chairman

Hong Kong, 24 October 2007

As at the date of this announcement, Mr. But Ching Pui, Mr. But Ka Wai and Mr. But Chai Tong are executive Directors; Ms. Leung Wai Ling and Mr. Ngai Chun Kong, Stephen are non-executive Directors; and Mr. Cheung Yu Yan, Tommy, Mr. Ip Shing Tong, Francis and Mr. Ku Siu Fung, Stephen are the independent non-executive Directors.