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WAH YUEN HOLDINGS LIMITED
華園控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code : 2349)

DISCLOSEABLE AND CONNECTED TRANSACTION
AND
RESUMPTION OF TRADING

Financial adviser to Wah Yuen Holdings Limited



Top Harbour, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire from the Vendor 10% equity interest in Seabuckthorn Company for an aggregate consideration of HK\$40,000,000. The Consideration is to be satisfied by Top Harbour by procuring the Company to allot and issue the Consideration Shares to the Vendor, credited as fully paid, at the Issue Price of HK\$1.21 per Consideration Share.

CEWH, a wholly-owned subsidiary of Top Harbour, is currently holding 50% equity interest in Seabuckthorn Company. As the Group has four representatives out of a total of seven members on the board of directors of Seabuckthorn Company and is therefore able to exercise control over Seabuckthorn Company, the Seabuckthorn Group companies have been accounted for as subsidiaries of the Company and their results have been consolidated in the accounts of the Company since completion of the First Acquisition on 13 November 2007. Following Completion, Top Harbour will hold an aggregate of 60% direct and indirect equity interest in Seabuckthorn Company and the Seabuckthorn Group companies will continue to be accounted for as subsidiaries of the Company, the results of which will continue to be consolidated into the accounts of the Group.

The Seabuckthorn Group is principally engaged in the cultivation and sale of seabuckthorn seedlings and manufacturing and sale of seabuckthorn related health products.

The Second Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. By virtue of the Vendor's substantial shareholding interest in Seabuckthorn Company, the Vendor is a connected person of the Company for the purpose of the Listing Rules and the Second Acquisition also constitutes a connected transaction under the Listing Rules which requires the approval of the Independent Shareholders. The Vendor and its associates are required to abstain from voting at the extraordinary general meeting to be convened by the Company to consider and, if thought fit, to approve the Agreement and the transactions contemplated therein (including the allotment and issue of the Consideration Shares). The Vendor and its associates do not own or hold any Shares as at the date of this announcement.

A circular containing, among other things, details of the Agreement, the recommendation of the Independent Board Committee and the advice of the independent financial adviser on the Second Acquisition, and the notice of the extraordinary general meeting will be sent to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 7 December 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 12 December 2007.

Reference is made to the announcement of the Company dated 12 July 2007 and the circular of the Company dated 24 September 2007 relating to the acquisition by Top Harbour of the entire issued share capital in CEWH, which in turn holds a 50% equity interest in Seabuckthorn Company. The First Acquisition constituted a very substantial acquisition of the Company for the purposes of the Listing Rules. The Board is pleased to announce that the Agreement was entered into between Top Harbour and the Vendor on 6 December 2007, pursuant to which Top Harbour has conditionally agreed to acquire 10% equity interest held by the Vendor in Seabuckthorn Company. Details of the Agreement are set out below:

THE AGREEMENT

Parties

- (i) Purchaser : Top Harbour, a wholly-owned subsidiary of the Company; and
- (ii) Vendor : 江海世紀投資管理(北京)有限公司(Jiang Hai Century Investment Management (Beijing) Co., Ltd.*).

The Vendor is an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from being a holder of 10% equity interest in Seabuckthorn Company, the Vendor and its ultimate beneficial owner(s) are third parties otherwise independent of the Company and its connected persons. The Group has neither entered into any previous transactions nor has any prior relationship with the Vendor and its ultimate beneficial owner(s) which would otherwise require aggregation pursuant to Rule 14.22 of the Listing Rules.

Assets to be acquired

10% of the equity interest in Seabuckthorn Company.

Information on the Seabuckthorn Group

Seabuckthorn Company is currently held as to 50% by CEWH; as to 18% by 水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development*); as to 22% by 北京山合林水環境規劃設計中心 (Beijing Green Water Environment Planning & Design Centre*) and as to the balance of 10% by the Vendor.

The Seabuckthorn Group are principally engaged in the cultivation and sale of seabuckthorn seedlings, and processing, development, manufacturing and sale of seabuckthorn related food and health products and cosmetic products in the PRC, Hong Kong and other overseas markets. Seabuckthorns are recognized for their high nutrient content in protein, vitamins C and E, and amino acids. The leaves and young branches and berries are used as functional food for their nutrition content (such as berries juices and tea leaves) and medicinal and cosmetics products for their pharmaceutical and antioxidant qualities (such as seabuckthorn oil for skin therapy including sun, heat, chemical and radiation burns, eczema and poorly healing wounds). Seabuckthorns are also widely cultivated for agronomic and environmental protection. They rapidly develop an extensive root system capable of fixing nitrogen and have been used for soil erosion control and land reclamation projects and breeding seedlings, to cultivation of operates in vertical integration from the developing seabuckthorn, to berries processing, to manufacturing of seabuckthorn products.

The Seabuckthorn Group has founded its own seabuckthorn cultivation bases in Erdos Plateau, Loess Plateau, North-eastern Plain and Qinghai-Tibet Plateau in the PRC with total area of about 200,000 hectares to guarantee the stable supply of seabuckthorn for its manufacturing activities in seabuckthorn related products. The Seabuckthorn Group has also established seedling bases over a total area of about 200 hectares in Beijing, Inner Mongolia Autonomous Region and Shanxi province, with annual reproduction capacity of approximately 100 million plants. It has also set up a raw material processing centre with annual fruit processing capacity of 5,000 tons. The products manufactured by the Seabuckthorn Group are of a wide variety, from raw materials including seed oil, pulp oil, pulp powder, flavone powder, raw juices, concentrate juices, seedlings, seeds, dried berries and tea leaves, finished products including health products such as flavone soft capsules, seed oil soft capsules, pulp oil soft capsules, seed oil, pulp oil, tea in packs, and cosmetic series. The sale and distribution network covers 11 provinces in the PRC, spanning over northern, northwestern, northeastern and central part of the PRC.

The Seabuckthorn Group companies have been accounted for as subsidiaries in the accounts of CEWH since the establishment of Seabuckthorn Company in November 2005. As the Group has four representatives out of a total of seven members on the board of directors of Seabuckthorn Company and is therefore able to exercise control over Seabuckthorn Company, the Seabuckthorn Group companies have been accounted for as subsidiaries of the Company and their results have been consolidated into the accounts of the Group since completion of the First Acquisition on 13 November 2007.

Set out below are the audited financial information of the Seabuckthorn Group as extracted from the circular dated 24 September 2007 issued by the Company in connection with the First Acquisition:

	Year ended 31 March	
	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<u>9,582</u>	<u>5,609</u>
Operating profit before taxation	12,464	21,883
Taxation	<u>3,171</u>	<u>4,222</u>
Profit for the year attributable to		
- equity holders of Seabuckthorn Company	8,258	17,694
- minority interests	1,035	(33)
	<u>9,293</u>	<u>17,661</u>

The audited consolidated net assets attributable to equity holders of Seabuckthorn Company as at 31 March 2007 were approximately RMB61.4 million.

The Consideration

The Consideration for the Second Acquisition is HK\$40,000,000 and shall be satisfied by Top Harbour by procuring the Company to allot and issue the Consideration Shares to the Vendor, credit as fully paid, at the Issue Price of HK\$1.21 per Consideration Share.

The Consideration Shares represent approximately 4.81% of the existing issued share capital of the Company, and approximately 4.59% of the issued share capital of the Company as enlarged by the allot and issue of the Consideration Shares.

The Consideration Shares shall be allotted and issued pursuant to a specific mandate to be sought from the Independent Shareholders at an extraordinary general meeting of the Company to be convened and shall rank pari passu among themselves and with all the other Shares in issue on the date of allotment and issue of the Consideration Shares. A general mandate has been granted to the Directors at the general meeting held on 13 June 2007, granting authority for the Directors to allot and issue 107,000,000 new Shares. Part of

such general mandate has been reserved for the purpose of issuing new Shares upon conversion of the 2010 Convertible Bonds. Assuming full conversion of the 2010 Convertible Bonds at the initial conversion price of HK\$1.43 (subject to adjustments), a total of 85,314,685 Shares will be allotted and issued using such general mandate. Upon conversion in full of the 2010 Convertible Bonds at the minimum reset conversion price of HK\$1.144 (subject to adjustments) pursuant to the terms of the 2010 Convertible Bond, a total of 106,643,356 Shares will be allotted and issued using such general mandate.

The Consideration was arrived at after arm's length negotiations between the parties and is equivalent to the proportionate consideration paid by the Group for the First Acquisition (i.e. HK\$200,000,000 for a 50% effective interest in Seabuckthorn Company). As disclosed in the circular of the Company dated 24 September 2007 in relation to the First Acquisition, the vendor under the First Acquisition guaranteed to Top Harbour that the audited consolidated net profit after tax and extraordinary or exceptional items of the CEWH Group (before deducting minority interests) will not be less than HK\$20 million for the year ending 31 March 2008 (the "Guaranteed Profit"). The consideration for the First Acquisition and the Consideration for the Second Acquisition represent a price/earnings multiple of 20 times on the Guaranteed Profit. Taking into account the market potentials of the Seabuckthorn Group as demonstrated by the rapid growth in profits of the Seabuckthorn Group as described above, and the possible earnings contribution to the Group in future on the basis of the Guaranteed Profit, against the relatively stable earnings level of the Group, the Directors consider the Consideration to be fair and reasonable.

As advised by the Vendor, the original cost of the 10% equity interest in Seabuckthorn Company to the Vendor is approximately RMB4 million. As such cost represented capital contributions made by the Vendor since establishment of the Seabuckthorn Company in November 2005, the Directors do not consider the original cost to the Vendor relevant to the determination of the Consideration.

The Issue Price

The Issue Price represents :

- (i) a premium of 10% over the closing price of HK\$1.10 per Share as quoted on the Stock Exchange on 6 December 2007, being the date of the Agreement and the last trading day of the Shares prior to the suspension of trading in the Shares on 7 December 2007 pending the release of this announcement;
- (ii) a premium of approximately 5.4% over the average of the closing prices of HK\$1.148 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including 6 December 2007, being the date of the Agreement and the last trading day of the Shares prior to the suspension of trading in the Shares on 7 December 2007 pending the release of this announcement;
- (iii) a premium of approximately 3.5% over the average of the closing prices of HK\$1.169 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including 6 December 2007, being the date of the Agreement and the last trading day of the Shares prior to the suspension of trading in the Shares on 7 December 2007 pending the release of this announcement; and

- (iv) a premium of approximately 236.1% over the audited consolidated net assets of the Company of HK\$0.36 per Share as at 31 December, 2006.

The Issue Price was determined after arm's length negotiations between the parties with reference to the prevailing market price of the Shares.

Conditions of the Agreement

The Agreement is subject to and conditional upon the fulfillment or waiver of the following conditions on or before 15 March 2008 (or such later date as shall be agreed between the Vendor and Top Harbour):

- (a) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated thereby having been obtained;
- (b) all necessary consents and approvals required to be obtained from all relevant PRC government authorities in respect of the Agreement and the transactions contemplated thereby having been obtained;
- (c) the passing by the Shareholders who are allowed to vote under the Listing Rules at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated hereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor credited as fully paid;
- (d) the obtaining of a PRC legal opinion (in form and substance satisfactory to Top Harbour) in relation to the transactions contemplated under the Agreement;
- (e) the warranties contained in the Agreement remaining true and accurate in all respects; and
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares.

Conditions (d) and (e) are capable of being waived by Top Harbour while the other conditions in (a), (b), (c) and (f) above cannot be waived. An application will be made to the Listing Committee of the Stock Exchange for the listing and permission to deal in the Consideration Shares.

If any of the above conditions have not been fulfilled (or as the case may be, waived by the Purchaser) on or before 15 March 2008, the Agreement shall cease and determine and no party shall have any obligations and liabilities towards each other save for antecedent breaches.

Completion of the Agreement is to take place on the date falling two business days after fulfillment or waiver of the conditions referred to above.

Undertaking

The Vendor has undertaken to Top Harbour that it shall not sell, transfer or otherwise dispose of the Consideration Shares for a period of 6 months commencing from the date of Completion unless with the prior written consent of Top Harbour. Save as aforesaid, there is no other restriction on the subsequent sale or transfer of the Consideration Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company (i) as at the date of this announcement; (ii) immediately upon Completion; (iii) immediately after Completion and upon full conversion of the 2017 Convertible Bonds and the 2010 Convertible Bonds at their respective initial conversion price; and (iv) immediately after Completion and upon partial conversion of the 2017 Convertible Bonds and full conversion of the 2010 Convertible Bonds at their respective initial conversion price, each prepared on the basis that there would be no changes in the issued share capital of the Company after the date of this announcement other than as stated in each scenario. Shareholders should take note that the analysis under scenario (iii) is shown for illustration purpose only and will not materialise, for the reason that the terms and conditions of the 2017 Convertible Bonds stipulate that the conversion rights attaching to the 2017 Convertible Bonds may be converted by the holder thereof into Shares provided that such conversion does not trigger a mandatory offer obligation on the part of the holder of the 2017 Convertible Bonds who exercises their conversion rights.

	As at the date of this announcement		Immediately after issue of the Consideration Shares upon Completion		After Completion and upon full conversion of the 2017 Convertible Bonds and the 2010 Convertible Bonds		After Completion and upon partial conversion of the 2017 Convertible Bonds and full conversion of the 2010 Convertible Bonds	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Able Success Group Limited (Note 1)	151,250,000	22.03	151,250,000	21.02	151,250,000	7.54	151,250,000	15.78
Mr. KW But	312,000	0.04	312,000	0.04	312,000	0.02	312,000	0.03
Sharp Profit Investments Limited (Note 2)	133,000,000	19.37	133,000,000	18.48	1,333,333,333 (Note 3)	66.49	286,629,477 (Note 4)	29.90
	284,562,000	41.44	284,562,000	39.54	1,484,895,333	74.05	438,191,477	45.71
The Vendor	-	-	33,057,852	4.59	33,057,852	1.65	33,057,852	3.45
Holders of the 2010 Convertible Bonds	-	-	-	-	85,314,685	4.25	85,314,685	8.90
Other public Shareholders	402,063,000	58.56	402,063,000	55.87	402,063,000	20.05	402,063,000	41.94
	402,063,000	58.56	435,120,852	60.46	520,435,537	25.95	520,435,537	54.29
Total	686,625,000	100.00	719,682,852	100.00	2,005,330,870	100.00	958,627,014	100.00

Notes :

- (1) Mr. KW But wholly and beneficially owns the entire issued share capital of Able Success Group Limited.
- (2) Sharp Profit Investments Limited is a wholly-owned subsidiary of China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (stock code : 855). Sharp Profit Investments Limited is also the holder of the 2017 Convertible Bonds.
- (3) Pursuant to the terms and conditions of the 2017 Convertible Bonds, holder(s) of the Convertible Bond may exercise all or part of the 2017 Convertible Bonds provided that the issue of the relevant Shares to it/them shall not trigger any general offer obligation on the part of the relevant 2017 Convertible Bonds holder who exercises the 2017 Convertible Bonds. Accordingly, this column is shown for illustration purpose only and this scenario will not materialise.
- (4) Holder(s) of the 2017 Convertible Bonds may exercise its/their conversion rights attaching to 2017 Convertible Bonds up to a principal amount of approximately HK\$23,044,421.6, such that a total of 153,629,477 Shares shall be allotted and issued at the initial conversion price of HK\$0.15 each (which together with the Shares already held shall amount to 286,629,477 Shares and represent 29.90% of the then enlarged issued share capital of the Company) without triggering any general offer obligation on the part of the relevant 2017 Convertible Bonds holder under the existing provisions of the Hong Kong Code on Takeovers and Mergers.

REASONS FOR THE ACQUISITION

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 31st December, 2006, the Group has been experiencing intense competition in the industry, resulting in a squeeze 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 Directors consider that through the First Acquisition, the Group will be able to diversify its revenue and profit bases and to explore the sale and distribution network of the Seabuckthorn Group in the central and northern part of the PRC. The product variety of the Seabuckthorn Group will also broaden the product mix of the Group. In view of the increasing health awareness of the population worldwide, the Directors believe that the potential of the health food product market is tremendous and consider it desirous to increase its equity interest holding in the Seabuckthorn Group through the Second Acquisition.

The Directors (other than the independent non-executive Directors who will give their view on the Second Acquisition after taking into account the advice of the independent financial adviser) consider the Second Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable.

GENERAL

The Second Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. By virtue of the Vendor's substantial shareholding interest in Seabuckthorn Company which is in turn accounted for as a subsidiary of the Company, the Vendor is a connected person of the Company for the purposes of the Listing Rules. The Second Acquisition therefore also constitutes a connected transaction for the Company under the Listing Rules which requires the approval of the Independent Shareholders. The Vendor and its associates are required to abstain from voting at the extraordinary general meeting to be convened by the Company to consider, any if thought fit, approving the Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares). The Vendor and its associates do not own or hold any Shares as at the date of this announcement. The Independent Board Committee will be established to advise the Independent Shareholders on the Second Acquisition. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Second Acquisition.

A circular containing, among other things, details of the Agreement, the recommendation of the Independent Board Committee and the advice of the independent financial adviser on the Agreement, and the notice of the extraordinary general meeting will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 7 December 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 12 December 2007.

DEFINITIONS

“2010 Convertible Bonds”	the 3% convertible bonds due in 2010 of the Company in issue with principal amount of HK\$122,000,000 which are convertible into new Shares at an initial conversion price of HK\$1.43 per Share (subject to adjustments), details of which are set out in the Company's announcement dated 24 October 2007
“2017 Convertible Bonds”	the 3% convertible bonds due in 2017 of the Company in issue with principal amount of HK\$180,050,000 which are convertible into new Shares at the initial conversion price of HK\$0.15 per Share (subject to adjustments)
“Agreement”	the sale and purchase agreement dated 6 December 2007 entered into between the Vendor and Top Harbour in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules

“Board”	board of Directors
“CEWH”	China Environmental Water Holdings Limited, a company incorporated in Hong Kong with limited liability
“Company”	Wah Yuen Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Agreement
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$40,000,000 payable by Top Harbour for the Acquisition and to be satisfied by the allotment and issue of the Consideration Shares
“Consideration Shares”	the 33,057,852 new Shares to be allotted and issued to the Vendor to satisfy the Consideration
“Directors”	directors of the Company
“First Acquisition”	the acquisition by Top Harbour of the entire issued share capital of CEWH as announced by the Company on 12 July 2007 and completed on 13 November 2007
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board to be established to advise the Independent Shareholders on the Second Acquisition
“Independent Shareholders”	Shareholders other than the Vendor and its associates
“Issue Price”	the issue price of HK\$1.21 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. KW But”	Mr. But Ka Wai, an executive Director and Chairman of the Company
“PRC”	the People’s Republic of China

“Seabuckthorn Company”	Conseco Seabuckthorn Co., Ltd., a Sino-foreign equity joint venture established under the laws of the PRC, whose equity capital is currently held as to 50% by CEWH
“Seabuckthorn Group”	Seabuckthorn Company and its subsidiary(ies)
“Second Acquisition”	the proposed acquisition of 10% equity interest in Seabuckthorn Company by Top Harbour pursuant to the Agreement
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Harbour”	Top Harbour Development Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Vendor”	江海世紀投資管理(北京)有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.*)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 11 December 2007

As at the date of this announcement, the Board comprises Mr. But Ching Pui (honorary Chairman), Mr. But Ka Wai (Chairman) and But Chai Tong (Vice Chairman) as executive Directors, Madam Leung Wai Ling and Mr. Ngai Chun Kong, Stephen as non-executive Directors and Mr. Cheung Yu Yan, Tommy, Mr. Ip Shing Tong, Francis and Mr. Ku Siu Fung, Stephen as independent non-executive Directors.

* *The English translation of the name is for identification purpose only.*