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Wah Yuen Holdings Limited **華園控股有限公司**

(incorporated in Cayman Islands with limited liability)

(Stock code: 2349)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 11 January 2008, the JV Agreement is entered into among Conseco, a non-wholly-owned subsidiary of the Company, WYHP, a wholly-owned subsidiary of the Company, and WYF, another wholly-owned subsidiary of the Company, pursuant to which Shenzhen JV will be established in Shenzhen, the PRC.

Shenzhen JV will be engaged principally in cultivation of seabuckthorn seedlings, as well as manufacture, sale, research and development of seabuckthorn-related health products. Shenzhen JV will be owned beneficially as to 60% by WYHP, as to 20% by WYF and as to 20% by Conseco.

Pursuant to the terms of the JV Agreement, the registered capital of Shenzhen JV will be RMB80,000,000 (equivalent to approximately HK\$84,210,000), of which RMB48,000,000 (equivalent to approximately HK\$50,526,000), RMB16,000,000 (equivalent to approximately HK\$16,842,000) and RMB16,000,000 (equivalent to approximately HK\$16,842,000) will be contributed by WYHP, WYF and Conseco in cash respectively.

As the relevant percentage ratio of the transaction exceeds 5% but below 25%, the JV Agreement constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the JV Agreement and the transactions contemplated therein (including the formation of Shenzhen JV) will be sent to the Shareholders as soon as practicable.

The Board is pleased to announce that on 11 January 2008, the JV Agreement was entered into among Conseco, WYHP and WYF. The details of which are as follows:

THE JV AGREEMENT

Date : 11 January 2008

Parties : (i) Conseco

(ii) WYHP

(iii) WYF

Formation of joint venture company

The parties to the JV Agreement agreed that Shenzhen JV will be established in Shenzhen, the PRC and will be beneficially owned as to 60% by WYHP, as to 20% by WYF and as to 20% by Conseco. Shenzhen JV will be engaged principally in cultivation of seabuckthorn seedlings, as well as manufacture, sale, research and development of seabuckthorn-related health products.

Registered capital

The registered capital of Shenzhen JV will be RMB80,000,000 (equivalent to approximately HK\$84,210,000), of which RMB48,000,000 (equivalent to approximately HK\$50,526,000), RMB16,000,000 (equivalent to approximately HK\$16,842,000) and RMB16,000,000 (equivalent to approximately HK\$16,842,000) will be contributed by WYHP, WYF and Conseco in cash respectively. The capital injection in the aforesaid proportion will be within 6 months after the business license of Shenzhen JV has been granted. Upon establishment, Shenzhen JV's account will be consolidated into the Group's accounts.

The Group intends to finance the capital contribution of WYHP, WYF and Conseco to Shenzhen JV from its internal resources.

The total investment of Shenzhen JV is RMB80,000,000 (equivalent to approximately HK\$84,210,000) as mentioned in the JV Agreement. As such, there are no further capital commitments that are required to be contributed by the parties to the JV Agreement at this stage except for the contribution towards the registered capital set out above. If there are any further capital commitments to be put up by the parties to the JV Agreement, further announcement will be made as and when appropriate to comply with the requirements under the Listing Rules.

Principal obligations of the parties to the JV Agreement

Each party to the JV Agreement shall be responsible for, among other matters, the following:

1. assisting in the application of the establishment and registration matters of Shenzhen JV;
2. assisting in the application for land-use rights, signing lease agreement(s) for factory premises and construction equipment;
3. coordinating in the construction of the factory and other facilities of Shenzhen JV, and assisting Shenzhen JV in purchasing necessary machinery, raw materials, vehicles, communication device from overseas;
4. injecting its respective capital commitment into Shenzhen JV as mentioned in the above section “Registered capital”;
5. providing Shenzhen JV with technical staff, and assisting Shenzhen JV in hiring managerial staff, technical staff, workers and other personnel;
6. providing necessary training to the staff and workers of Shenzhen JV, and obtaining employment visas and other governmental; approvals for staff of Shenzhen JV; and
7. handling other matters required by Shenzhen JV.

Duration

The term of Shenzhen JV is 30 years from the day of issuance of its business license.

Board of directors of Shenzhen JV

The board of directors of Shenzhen JV will comprise five directors, of which three will be appointed by WYHP, one will be appointed by WYF and one will be appointed by Conseco. The chairman of the Board of Shenzhen JV will be nominated by WYHP.

INFORMATION ON CONSECO

Conseco is currently held as to 50% by CEWH, 18% by 水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development[#]), 22% by 北京山合林水環境規劃設計中心 (Beijing Green Water Environment Planning & Design Centre[#]) and the balance of 10% by 江海世紀投資管理(北京)有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.[#]) or by Top Harbour (upon completion of the proposed acquisition of 10% equity interest of Conseco by it). Apart from the fact that Top Harbour and 江海世紀投資管理(北京)有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.^{*}) had entered into a sale and purchase agreement in relation to

acquisition of 10% equity interest of Conseco on 6 December 2007 (reference is made to the Company's announcement dated 11 December 2007 and the Company's circular dated 31 December 2007), there are no relationships among the shareholders of Conseco.

Conseco is 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.

Conseco 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. Conseco 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 Conseco 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.

REASONS FOR THE JV AGREEMENT

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.

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 past financial results. The Directors consider that through the formation of Shenzhen JV, the Group will be able to explore the market of seabuckthorn related health products, thus diversifying its revenue and its profit base. The seabuckthorn related health products 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 product market is tremendous and consider it desirous to developing a base of its own for the development and manufacture of seabuckthorn related health products.

Shenzhen JV has not commenced operations yet and thus is unable to generate revenue for the Group at the moment.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the JV Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

As the relevant percentage ratio of the transaction exceeds 5% but below 25%, the JV Agreement constitutes a discloseable transaction the part of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the JV Agreement and the transactions contemplated therein (including the formation of Shenzhen JV) will be sent to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“CEWH”	China Environmental Water Holdings Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“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
“Conseco”	高原聖果沙棘制品有限公司(Conseco Seabuckthorn Company Limited)#, a Sino-foreign equity joint venture established under the laws of the PRC, whose equity capital is currently held as to 50% by CEWH
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors (including the independent non-executive directors) of the Company from time to time

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement dated 11 January 2008 and entered into among WYHP, WYF and Consec with respect to the formation of Shenzhen JV
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Shenzhen JV”	深圳高原聖果生物科技有限公司(Shenzhen Consec Seabuckthorn Company Limited) [#] , a joint venture to be established pursuant to the JV Agreement in Shenzhen, the PRC, the name of which is subject to the approval of the relevant authorities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Harbour”	Top Harbour Development Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company
“WYF”	Wah Yuen Foods Company Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company
“WYHP”	Wah Yuen Health Products Company Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

By order of the Board
But Ka Wai
Chairman

Hong Kong, 14 January 2008

* *for identification purpose only*

the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.95. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

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.