



WAH YUEN HOLDINGS LIMITED
華園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the “Board”) of Wah Yuen Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the “Group”) for the year ended 31 December 2007 together with comparative figures in previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	3	281,054	202,130
Cost of sales		(195,517)	(131,307)
Gross profit		85,537	70,823
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	3	72,927	–
Other operating income and net gain	3	11,720	3,675
Selling and distribution expenses		(19,723)	(25,268)
Administrative expenses		(28,759)	(18,093)
Profit from operations		121,702	31,137
Finance costs	5	(16,234)	(12,242)
Profit before tax		105,468	18,895
Income tax expenses	6	(8,231)	(5,865)
Profit for the year		97,237	13,030
Attributable to:			
– Equity holders of the Company		51,892	13,030
– Minority interests		45,345	–
Profit for the year		97,237	13,030
Dividends	7	–	–
EARNINGS PER SHARE	8		
– Basic		9.19 Cents	3.52 Cents
– Diluted		2.92 Cents	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS		
Prepaid lease payments	3,147	2,140
Property, plant and equipment	174,508	111,607
Biological assets	74,909	–
Intangible assets	532	–
Deposit paid on acquisition of a subsidiary	6,000	–
Deposits paid on acquisition of property, plant and equipment	17,391	–
Goodwill	171,613	–
	<u>448,100</u>	<u>113,747</u>
CURRENT ASSETS		
Inventories	64,794	57,720
Trade and other receivables	215,354	178,487
Pledged bank deposits	23,622	21,459
Bank balances and cash	134,649	36,366
	<u>438,419</u>	<u>294,032</u>
CURRENT LIABILITIES		
Trade and other payables	49,285	28,326
Obligations under finance leases	9,830	5,092
Tax payable	5,742	3,121
Amounts due to minority shareholders	5,493	–
Amount due to a shareholder	11,626	–
Borrowings	119,346	138,674
	<u>201,322</u>	<u>175,213</u>
NET CURRENT ASSETS	<u>237,097</u>	<u>118,819</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>685,197</u>	<u>232,566</u>
NON-CURRENT LIABILITIES		
Obligations under finance leases	3,666	5,903
Borrowings	23,098	32,030
Convertible notes	244,834	–
Deferred tax liabilities	379	90
	<u>271,977</u>	<u>38,023</u>
NET ASSETS	<u>413,220</u>	<u>194,543</u>
CAPITAL AND RESERVES		
Share capital	6,919	5,350
Reserves	333,554	189,193
Equity attributable to equity holders of the Company	340,473	194,543
Minority interests	72,747	–
TOTAL EQUITY	<u>413,220</u>	<u>194,543</u>

1. BASIS OF PREPARATION

The accounting policies and basis of preparation adopted in these financial statements are generally consistent with those adopted in the Group's audited financial statements in 2006.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER, OTHER OPERATING INCOME AND NET GAIN

Turnover represents the amount received and receivable for goods sold, less returns and allowances.

An analysis of turnover, other operating income and net gain is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Sales of goods to outside customers	<u>281,054</u>	<u>202,130</u>
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	<u>72,927</u>	<u>–</u>
Other operating income and net gain:		
Interest income from bank deposits	1,451	1,310
Exchange gain	4,885	–
Sundry income	<u>5,384</u>	<u>2,365</u>
	<u>11,720</u>	<u>3,675</u>
Total income	<u><u>365,701</u></u>	<u><u>205,805</u></u>

4. SEGMENT INFORMATION

(a) Business segments

During the year, the Group has redefined its classification of business segments so as to better align its segment information disclosure to its current operations. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- Wah Yuen Foods Business Segment engages in production and distribution of snack food, convenience frozen food and other food products.
- Seabuckthorn Business Segment engages in cultivation of seabuckthorn seedlings, as well as manufacture, sales, research and development of seabuckthorn-related health products.

	Wah Yuen Foods Business		Seabuckthorn Business		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	257,816	202,130	23,238	–	–	–	281,054	202,130
Inter-segment sales	27,837	26,566	–	–	(27,837)	(26,566)	–	–
Total revenue	<u>285,653</u>	<u>228,696</u>	<u>23,238</u>	<u>–</u>	<u>(27,837)</u>	<u>(26,566)</u>	<u>281,054</u>	<u>202,130</u>
RESULT								
Segment results	<u>31,123</u>	<u>27,462</u>	<u>15,058</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>46,181</u>	<u>27,462</u>
Gain arising from initial recognition of biological assets at fair value less estimated point-of-sales costs	–	–	72,927	–	–	–	72,927	–
Unallocated corporate incomes							7,132	3,675
Unallocated corporate expenses							(4,538)	–
Profit from operations							121,702	31,137
Finance costs							(16,234)	(12,242)
Profit before tax							105,468	18,895
Income tax expense							(8,231)	(5,865)
Profit for the year							<u>97,237</u>	<u>13,030</u>

	Wah Yuen Foods Business		Seabuckthorn Business		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS						
Segment assets	381,469	349,954	346,773	–	728,242	349,954
Unallocated corporate assets	–	–	–	–	<u>158,277</u>	<u>57,825</u>
Consolidated total assets					<u>886,519</u>	<u>407,779</u>
LIABILITIES						
Segment liabilities	36,359	31,550	35,786	–	72,145	31,550
Unallocated corporate liabilities	–	–	–	–	<u>401,154</u>	<u>181,686</u>
Consolidated total liabilities					<u>473,299</u>	<u>213,236</u>
OTHER INFORMATION						
Capital additions	696	10,569	593	–	1,289	10,569
Depreciation	9,339	8,714	550	–	9,889	8,714
Amortisation of prepaid lease payments	165	153	11	–	<u>176</u>	<u>153</u>

(b) **Geographical segments**

The following table provides an analysis of the Group's sales and results by geographical segment, irrespective of the origins of the goods or services.

	Sales revenue by geographical segment		Segment results by geographical segment	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC	157,484	120,120	114,268	22,492
Hong Kong	151,407	108,576	4,840	4,970
	308,891	228,696	119,108	27,462
Elimination	(27,837)	(26,566)	–	–
	281,054	202,130	119,108	27,462
Unallocated corporate incomes			7,132	3,675
Unallocated corporate expenses			(4,538)	–
Profit from operations			121,702	31,137
Finance costs			(16,234)	(12,242)
Profit before tax			105,468	18,895
Income tax expense			(8,231)	(5,865)
Profit for the year			97,237	13,030

	Hong Kong		The PRC		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS						
Segment assets	214,208	41,021	514,034	308,933	728,242	349,954
Unallocated corporate assets	-	-	-	-	158,277	57,825
Consolidated total assets					886,519	407,779
LIABILITIES						
Segment liabilities	9,730	9,148	62,415	22,402	72,145	31,550
Unallocated corporate liabilities	-	-	-	-	401,154	181,686
Consolidated total liabilities					473,299	213,236
OTHER INFORMATION						
Capital additions	505	1,107	784	9,462	1,289	10,569
Depreciation	881	585	9,008	8,129	9,889	8,714
Amortisation of prepaid lease payments	6	6	170	147	176	153

5. FINANCE COSTS

	2007	2006
	HK\$'000	HK\$'000
Interest expense on bank loans, overdrafts and other borrowings wholly repayable within five years	13,064	11,552
Interest expense on obligations under finance leases	986	690
Effective interest expense on convertible notes	2,184	-
	16,234	12,242

6. INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	1,098	558
Under (over) – provision in prior years	368	(10)
PRC Enterprise Income Tax		
Current year	6,476	5,373
Under-provision in prior years	–	254
	<hr/>	<hr/>
Current tax charge for the year	7,942	6,175
Deferred tax charge (credit) for the year	289	(310)
	<hr/>	<hr/>
	8,231	5,865
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit arising in Hong Kong for the year.

In accordance with the relevant tax laws and regulations of the PRC, certain of the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from the first profit making year after utilisation of the carried forward tax losses and eligible for a 50% relief of the PRC Enterprise Income Tax for the following three years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before tax	<hr/> 105,468 <hr/>	<hr/> 18,895 <hr/>
Tax at PRC Enterprise Income Tax rate of 27% (2006: 27%)	28,476	5,102
Tax effect of expenses not deductible for tax purposes	8,842	1,815
Tax effect of income not taxable for tax purposes	(30,182)	(578)
Tax effect on temporary differences not recognised	317	–
Under-provision in respect of prior year	368	244
Tax effect on tax losses not recognised	1,031	3
Utilisation of tax losses not previously recognised	(25)	15
Effect of different tax rates of subsidiaries operating in other jurisdictions	<hr/> (596) <hr/>	<hr/> (736) <hr/>
Tax charge for the year	<hr/> 8,231 <hr/>	<hr/> 5,865 <hr/>

7. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2006 and 2007.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of approximately HK\$51,892,000 (2006: HK\$13,030,000) and on the weighted average ordinary share of 564,506,592 (2006: 370,542,466) deemed to be in issue during the year.

The calculation of diluted earnings per share is based on the following data:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Earnings:		
Earnings for the purposes of basic earnings per share	51,892	13,030
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	<u>2,184</u>	<u>—</u>
Earnings for the purpose of dilutive earnings per share	<u>54,076</u>	<u>13,030</u>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	564,506,592	370,542,466
Effect of dilutive potential ordinary shares:		
Convertible notes	<u>1,285,648,018</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,850,154,610</u>	<u>N/A</u>

No dilution effect was resulted from outstanding options as the exercises prices of options are higher than the average market price of the shares for both year ended 31 December 2007 and 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in food manufacturing, research and development, sales and distribution with market presence in Hong Kong, the PRC and overseas. The Group offers a wide range of over 200 types of quality snack products in unique Asian flavour under three major brands, namely Wah Yuen, Rocco and 采楓.

Upon completion of the acquisition of seabuckthorn business in November 2007, the Group is also engaged in seabuckthorn seedlings, manufacturing and sale of seabuckthorn related health products in the PRC.

The Group's revenue for the year ended 31 December 2007 amounted to HK\$281,054,000, representing an increase of 39% as compared to HK\$202,130,000 for the previous year. Profit attributable to the equity holders increased substantially by 3.98 times to HK\$51,892,000. Basic earnings per share amounted to HK9.19 cents. The satisfactory performance was attributable to the introduction of new and profitable seabuckthorn business, increased organic sales growth arising from surging consumption power in Hong Kong and the PRC, as well as improved operating efficiency of the manufacturing facilities.

BUSINESS REVIEW

Seabuckthorn and seabuckthorn related health products

2007 is a year of transformation and expansion for the Group. With more than 40 years of experience from manufacturing to sales & distribution of food, the Group has been foraying into the promising healthcare market in the PRC with the strong support from China Water Affairs Group Limited, a Hong Kong listed company primarily engaged in the business of investing in and operating of water services projects in the PRC.

During the year under review, the Group successfully acquired China Environmental Holdings Limited ("CEWH"), a company that is principally engaged in the cultivation, development and sale of seabuckthorn seedlings, as well as the processing, development, manufacturing and sales of seabuckthorn related food and health products and cosmetic products in the PRC, Hong Kong and other overseas markets. The acquisition enables the Group gain immediate access to the seabuckthorn market, a market that the products are little-known but full of potentials. The Group will also be able to broaden its product mix via the cooperation with CEWH.

Upon the completion of the acquisition of CEWH, the Group has successfully diversified its revenue and profit bases with the addition of the seabuckthorn related food and health products. The sales of seabuckthorn related food and health products in December 2007, the period to be included to the Group's accounts, totaled HK\$23,238,000, accounted for 8% of the Group's revenue.

Packaged food and convenience frozen food products

Hong Kong market

In 2007, the production and sale of snack food and convenience frozen food products remained as the Group's core business. Continuously benefit from the economic growth, sales in Hong Kong rose 39% to HK\$151,407,000, about 54% of the Group's revenue.

During the year, the Group continued to enhance its cooperation with key supermarket chain stores and convenience stores by establishing concessionaries and launching joint promotion programmes. The Group also actively improved the packaging of its products to reinforce the products' image.

In 2007, the Group launched a number of innovative products, including a new series of steamed rice boxes to key supermarket chain stores.

With an extensive retail network comprising a total of approximately 2,000 outlets, Wah Yuen cemented its unrivalled position as one of the leading packaged food brands most favoured by Hong Kong consumers, leveraging on its renowned brand equity and diverse range of quality products.

It is believed that with the Group's strong foothold in local retail market, the Group will continue to succeed in the year 2008 and ahead, supported by the increasing demand for tasty snack food in a fast-developing market.

The PRC market

The Group markets its products in the PRC market under the brand names of "Wah Yuen", "Rocco" and "采楓", via its comprehensive mainland distribution network spanning 250 cities in 30 provinces.

During the year under review, the Group's sales in the PRC up 14% to HK\$106,409,000, which accounted for approximately 38% of the Group's revenue.

Increase in the sales in the PRC was attributable to the improving retail market in the PRC as a result of continuous economic development of the country. In 2007, the Group put strong emphasis in brand building in the PRC, including joint promotion with the convenience stores and supermarkets in major cities.

Overseas market

Since the establishment of the 15-year strategic partnership with Sojitz Corporation ("Sojitz"; a merger between Nichimen Corporation and Nissho Iwai Corporation), a large listed conglomerate in Japan and a leading international corporation with businesses spanning the globe, the Group continued to pay great effort in improving the cooperation with Sojitz in order to deepen its penetration in Japan.

Through the provision of manufacturing services to Sojitz and export its premium products, such as fried rice, packaged Chinese dim sum and convenience frozen food to Japan, the cooperation between the Group and Sojitz improved significantly. With the development of Japan market, the Group will be able to further diversify its business risk and realize better margin through the export and sales of premium food products to this high-ended consumer market.

Others

To better utilize the production capacity, the Group launched a new series of pet food in second half of 2007. These pet foods will be mainly supplied to the US and other markets via overseas distributors and sourcing agents. The pet food products are seeking a high premium quality, nutrition and meet the human-grade pet food standard.

Production facilities

The Group currently owns and operates three production facilities in Hong Kong and Huadu District, Guangzhou, Guangdong Province. The Company was granted the internationally recognized HACCP certificate, acknowledging the compliance of its production lines with the strictest hygiene standards throughout the entire food production process, from the procurement of raw materials, to packaging, processing and distribution.

During the year, the Group continued to upgrade its manufacturing and production facilities to enhance its capacities, while capitalizing on its 10 state-of-the-art and highly efficient production lines to deliver its renowned quality products.

FUTURE PROSPECTS

Looking forward, the Group aims to enhance its market position as the premium food manufacturer with self-owned brands. It is believed that with the Group's rich experience in launching new food products, the product range of the Group will be further enhanced.

In line with the Group's value in providing the market with quality food products, the seabuckthorn health products will be the development focus of the Group. With immense market potential, the Group will further strengthen its marketing effort in promoting the health implications of the products series while further develop and introduce more new products to existing series. The Group believes that with its rich nutrient content, seabuckthorn products will continue to gain popularity in existing markets and new markets. Additionally, the Group will also review the existing retail network and the network of CEWH to further expand the distribution of seabuckthorn products.

Against the backdrop of Beijing Olympics, the Group will put strong emphasis in expanding sales channel and promoting the image of its brands in affluent areas in the PRC so as to further improve its brand image and pricing ability. We believe that with the continued delivery of quality products to consumers and the strengthening of its brand position via effective marketing, special packaging, joint promotion campaigns with various supermarkets and convenience store chains, the Group's food products will continue to impress the consumers, both in Hong Kong and the PRC.

On the Japan front, the Group will further develop its export business through Sojitz, by jointly exploring more business opportunities in Japan with its strategic partner. The Group also launched a new series of pet food to the US and other markets in second half of 2007.

As to another part of the Group's core business, seabuckthorn planting, we have already planted over 1.2 billion plants covering an area of over 340,000 hectares until the end of 2007. And the total planting area will increase at a speed of over 10% annually according to our plan of planting 40,000 hectares per year.

In 2008, in addition to the planting business from the Central Government of the PRC, the Group has already secured additional planting business from Provincial Governments, such as the Government of Gan Su Province. With environmental issues become an important part of the government policy, the planting business from Provincial Governments is becoming a new growth engine for the Group's revenues and profits.

Riding on the prospering economy of the PRC and rising household incomes, Wah Yuen will strengthen the leading position of its packaged food and seabuckthorn businesses by introducing more market-differentiated products while raising market penetration in Hong Kong and the PRC. The Group will further focus on brand building and product differentiation so as to cater to the needs of customers. The Group is dedicated to achieving steady revenue growth and sustained business development while generating fruitful returns to all shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2007.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted a code of conduct governing securities transactions by directors on terms no less exacting than that required under the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. Having made specific enquiry with all directors, the Company confirms that all directors have complied in full with the Model Code throughout the year.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2007.

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

Hong Kong, 24 April, 2008

As at the date of this announcement, the directors of the Company are as follows:

As at the date of this announcement, Mr. But Ching Pui and Mr. But Ka Wai, 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 independent non-executive directors.