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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)

NON LEGALLY BINDING MEMORANDUM OF UNDERSTANDINGS

MEMORANDUM OF UNDERSTANDINGS IN RESPECT OF THE POSSIBLE ACQUISITIONS

The Board is pleased to announce that the Company entered into the non-legally binding MOUs with the Vendors in relation to the Possible Acquisitions.

The Target is incorporated in the PRC and is principally engaged in water and ecological environment construction; exploitation of biological resources; production of seabuckthorn raw material, beverage and products; sale of products made.

The Board wishes to emphasize that no binding agreement in relation to the Possible Acquisitions has been entered into as at the date of this announcement. As such, the Possible Acquisitions may or may not proceed. If the Possible Acquisitions are materialised, they will constitute notifiable transactions on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisitions will be made by the Company in the event any Formal Agreements have been signed.

The Board announces that the Purchaser entered into the non-legally binding MOUs with the Vendors in relation to the Possible Acquisitions.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

Date: 31 January 2008

Parties: 水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development*), an Independent Third Party, as the vendor to 18% equity interest of the Target.

北京山合林水環境規劃設計中心 (Beijing Shan He Lin Environment Planning & Design Centre*), an Independent Third Party, as the vendor to 22% equity interest of the Target.

China Environmental Water Holdings Limited, an investment holding company, as the purchaser.

Major terms of the MOUs

Under the MOUs, it is proposed that the Purchaser will acquire separately 18% and 22% equity interest of the Target, a company established in the PRC, from the Vendors respectively. Immediately following the signing of the MOUs, the Purchaser shall conduct due diligence on the assets, liabilities, operations and affairs of the Target.

The Target is principally engaged in water and ecological environment construction; exploitation of biological resources; production of seabuckthorn raw material, beverage and products; sale of products made in the PRC.

Under the MOUs, both the Purchaser and the Vendors will proceed to the negotiation for the Formal Agreements within 90 days from the date of the MOUs or such later date as the Vendors and Purchaser may agree.

It is also agreed that the Vendors will not, within 90 days from the date of the MOUs, negotiate with any party other than the Purchaser for the Possible Acquisitions.

The consideration for the Possible Acquisitions shall be approximately HK\$160,000,000 and will be subject to due diligence review and further negotiations between the Vendors and the Purchaser. The consideration may be settled by the Purchaser procuring the Company to allot and issue consideration Shares, or other financial instruments and the issue price of which shall not be more than HK\$1.23 per Shares or subject to further negotiations between the Vendors and the Purchaser.

The MOUs does not constitute legally-binding commitment on the part of the Company in respect of the Possible Acquisitions. The Possible Acquisitions will be subject to the execution and completion of the Formal Agreements.

If the Formal Agreements are entered into, it is expected that the Possible Acquisitions will constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholders' approval requirements under the Listing Rules.

Reasons for the Possible 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 31 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 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 desirable to increase its holding in the Seabuckthorn Group through the Proposed Acquisitions.

The Board wishes to emphasize that no binding agreement in relation to the Possible Acquisitions has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisitions are materialised, they will constitute notifiable transactions on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisitions will be made by the Company in the event any Formal Agreement has been signed.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (other than Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Wah Yuen Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Connected persons”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Formal Agreements”	the legally binding formal sale and purchase agreements which may or may not be entered into in relation to the Possible Acquisitions

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial Shareholders of the Company and its subsidiaries or any of their respective associate
“MOUs”	the non-legally binding memorandum of understandings dated 31 January 2008 entered into between the Purchaser and the Vendors respectively setting out the preliminary understanding in relation to the Possible Acquisitions
“Possible Acquisitions”	the possible acquisitions by the Group from the Vendors of the 18% and 22% respectively of the Target as contemplated in the MOUs
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	China Environmental Water Holdings Limited, an indirect wholly-owned subsidiary of the Company and the purchaser in the Possible Acquisitions
“Seabuckthorn Group”	Seabuckthorn Company and its subsidiary(ies)
“Shareholder(s)”	shareholder(s) of the Company
“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
“Target”	Conseco Seabuckthorn Co., Ltd., a Chinese-foreign equity joint venture established under the laws of the PRC, whose equity capital is held as to 50% by the Purchaser

“Vendors”	水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development*) and 北京山合林水環境規劃設計中心 (Beijing Shan He Lin Environment Planning & Design Centre*)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 31 January 2008

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 adopted for the purpose of illustration only and do 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.

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