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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)

ANNOUNCEMENT FOR THE ISSUE OF NEW SHARES

The Company has agreed to issue 14 million new Shares to the Subscriber at a price of HK\$0.40 per Subscription Share in satisfaction of the contractual sum payable for the construction work carried out and/or to be carried out for the Group. The Subscription Shares represent 7% of the existing issued share capital of the Company and approximately 6.5% of the issued share capital of the Company as enlarged by the Subscription Shares.

THE SUBSCRIPTION

On 18 October 2005, the Company entered into the Subscription Agreement with the Subscriber for the issue of the Subscription Shares at a price of HK\$0.40 per Subscription Share.

Independence of the Subscriber

The Subscriber is one of the main contractors of the Group in PRC which has been engaged by the Group for over 20 years. To the best knowledge, information and belief of the Directors, the Subscriber and its ultimate beneficial owners, Ng Mau Lok and See Sau Yuk, are independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective associates.

Issue price

The Subscription Price represents:

- (i) approximately 79.4% premium over the closing price of the Shares of HK\$0.223 per Share on 18 October 2005, being the date of the Subscription Agreement,
- (ii) approximately 73.5% over the average closing price of the Shares for the last five trading days of HK\$0.2306 per Share up to and including 18 October 2005; and
- (iii) approximately 65.0% over the average closing price of the Shares for the last ten trading days of HK\$0.2424 per Share up to and including 18 October 2005.

The Subscription Price was arrived at after arm’s length negotiation between the Company and the Subscriber and was considered fair and reasonable in view of the current market condition.

Rights

The Subscription Shares, when issued and fully paid, will rank pari passu in all aspects with the existing Shares in issue, including the right to receive all dividends and distributions which may be declared, made or paid after the date of completion of the Subscription.

Number of Subscription Shares

14 million new Shares, representing 7% of the Shares in issue and approximately 6.5% of the issued share capital of the Company as enlarged by the Subscription Shares.

Mandate to issue new Shares

The Subscription Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 7 June 2005.

Use of proceeds

After deduction of the relevant listing, advisory and printing fees of about HK\$200,000 which will be paid out from the internal resources of the Group, the net proceeds of the Subscription will be about HK\$5,400,000. The Subscription was carried out in satisfaction of the contractual sum of HK\$5,600,000 payable under the Project.

Condition of the Subscription

The Subscription is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Subscription Shares.

Completion

Completion of the Subscription will take place on the second business day after the condition of the Subscription is fulfilled. If the condition is not fulfilled by 28 October 2005 or such other dates as may be agreed between the parties, the Subscription shall lapse.

REASONS FOR SUBSCRIPTION

The Subscription enables the Company to settle the contractual sum payable under the Project while broadening the shareholders’ base of the Company. As the Project involves renovation and construction work at the production site of the Group over a period of time, it does not involve acquisition of assets by the Company within the meaning of Chapter 14 or 14A of the Listing Rules. The Directors consider that the Group has sufficient financial resources to satisfy the contractual sum payable under the Project. However, the Directors (including the independent non-executive Directors) consider that the Subscription is in the interests of the Company and the Shareholders as a whole in view of the fact that: (i) the Subscription Shares are to be issued at a premium over the current market price of the Shares; and (ii) the liquid funds of the Group will be preserved to be applied as general working capital of the Group.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company immediately before and after the Subscription is as follows:

	Approximate shareholding immediately before the Subscription	Approximate shareholding immediately after completion of the Subscription
But Ka Wai (<i>Note 1</i>)	30.3%	28.3%
But Chai Tong (<i>Note 2</i>)	28.5%	26.6%
The Subscriber (or its nominee(s)) (<i>Note 3</i>)	–	6.5%
Public	41.2%	38.6%
	<u>100.0%</u>	<u>100.0%</u>

Note:

- 1. These Shares are held through Able Success Group Limited, the entire issued share capital of which is beneficially owned by Mr. But Ka Wai.
- 2. These Shares are held through National Chain International Limited, the entire issued share capital of which is beneficially owned by Mr. But Chai Tong.
- 3. The Subscriber shall not have any right under the Subscription Agreement to nominate any person into the Board.

GENERAL

The Group is principally engaged in the manufacture, distribution and retail of snack food products in the Hong Kong and PRC market. The Group produces and offers over 200 types of top quality snack food products with a unique Asian flavour under three brands, namely ‘Wah Yuen’, ‘Rocco’ and ‘Cai Feng’. The Group also produces convenience frozen food under the brand name ‘Wah Yuen’ and the original equipment manufacturing model.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

No fund raising activity has been carried out by the Company in the twelve months immediately prior to the date of this announcement.

TERMS USED IN THIS ANNOUNCEMENT

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Wah Yuen Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Project”	series of renovation and construction work involving installation of heating facilities, rebuilding of facilities layout, setting up of environmental system etc. carried out and/or to be carried out over a period of time at Wah Yuen (Guangzhou) Foods Company Limited, a wholly owned subsidiary of the Company principally engaged in the manufacturing, distribution and marketing of snack food products in the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Pak Lok Equipment Co., Ltd., which is a company principally engaged in construction work in Hong Kong and PRC
“Subscription”	the subscription of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement entered into between the Company and the Subscriber dated 18 October 2005 in relation to the Subscription
“Subscription Price”	HK\$0.40 per Subscription Share
“Subscription Shares”	14 million new Shares to be issued by the Company pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars
“%”	per cent.

By Order of the Board
But Ka Wai
Chairman

Hong Kong, 18 October 2005

As at the date of this announcement, Mr. But Ching Pui, Mr. But Ka Wai, Mr. But Chai Tong and Mr. Chu Kin Wah 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.