

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Wah Yuen Holdings Limited

華園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

PROPOSED RIGHTS ISSUE IN THE PROPORTION OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE

PROPOSED RIGHTS ISSUE

The Board proposes to raise not less than approximately HK\$32.1 million and not more than approximately HK\$33.9 million respectively before expenses by issuing not less than 321,000,000 Rights Shares (assuming no Share Options would have been exercised on or before the Latest Lodging Date) and not more than 339,000,000 Rights Shares (assuming full exercise of the 12,000,000 Share Options on or before the Latest Lodging Date) at the Subscription Price of HK\$0.10 per Rights Share on the basis of three Rights Shares for every two Shares held on the Record Date. The nil-paid Rights Shares will be provisionally allotted to the Qualifying Shareholders on the basis of three Rights Shares for every two Shares held by the Qualifying Shareholders. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. Up to the date of this announcement, 12,000,000 Share Options have been granted by the Company under the Share Option Scheme entitling the holders thereof to subscribe for up to an aggregate of 12,000,000 Shares at a subscription price of HK\$0.316 per Share. Save for the Share Options mentioned above, there are no outstanding warrants or share options or securities that are convertible or exchangeable into Shares or confer any right to subscribe for Shares as at the date of this announcement.

The minimum number of Rights Shares to be issued pursuant to the terms of the Rights Issue represents 150% of the Company's existing issued share capital and 60% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

The last day of dealings in the Shares on a cum-rights basis is 7 June 2006. The Shares will be dealt with on an ex-rights basis from 8 June 2006. To qualify for the Rights Issue, Shareholders must be registered as members of the Company on the Record Date and must not be an Excluded Shareholder. In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificates) must be lodged and any Share Options must be exercised for registration with the Registrar on or before 9 June 2006, being the Latest Lodging Date. The register of members for the Shares will be closed from 12 June 2006 to 15 June 2006, both dates inclusive.

Pursuant to the Underwriting Agreement, Mr. KW But and Mr. CT But, collectively the controlling Shareholders, who are indirectly interested in 117,500,000 Shares in aggregate, representing approximately 54.91% of the total issued share capital of the Company as at the date of this announcement, has given an irrevocable undertaking to accept or procure acceptance of all the Rights Shares to be provisionally allotted to them, or their nominee(s) as the holders of such Rights Shares pursuant to the Rights Issue. Assuming all the Rights Shares subject to the above undertakings have been fully allotted and issued to Mr. KW But and Mr. CT But, their total shareholdings after the Rights Issue would amount to 293,750,000 Shares, representing approximately 54.91% (assuming no Share Options would have been exercised on or before the Latest Lodging Date) and approximately 51.99% (assuming full exercise of the 12,000,000 Share Options on or before the Latest Lodging Date) of the total issued share capital of the Company as enlarged by the Rights Issue.

Assuming all the Share Options have been exercised on or before the Latest Lodging Date, in the event that no Qualifying Shareholder takes up any Rights Shares, except that Mr. KW But and Mr. CT But take up all their entitlements (being 176,250,000 Rights Shares in aggregate) under the Rights Issue, the Underwriter, as the underwriter of the Rights Issue, will be required to subscribe for and take up all the Rights Shares (other than the Rights Shares undertaken to be taken up by Mr. KW But and Mr. CT But) that have not been subscribed for under the Rights Issue pursuant to its obligations under the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite not less than 144,750,000 Rights Shares (assuming no Share Options would have been exercised on or before the Latest Lodging Date) and not more than 162,750,000 Rights Shares (assuming full exercise of the 12,000,000 Share Options on or before the Latest Lodging Date), representing approximately 27.06% and 28.81% respectively of the total issued share capital of the Company as enlarged by the issue of the Rights Shares, on the terms and subject to the conditions set out in the Underwriting Agreement.

The Rights Issue is subject to the satisfaction of certain conditions as described under the section headed “Conditions of the Rights Issue”. In particular, it is subject to the Underwriter not terminating the Underwriting Agreement (see the section headed “Termination of the Underwriting Agreement” below) prior to 4:00 p.m. on the third Business Day following the Latest Acceptance Date. Accordingly, the Rights Issue may or may not become unconditional and may or may not proceed. Investors’ attention is drawn to the section headed “WARNING OF THE RISK OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES” below.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

GENERAL

Pursuant to Rule 7.19(6)(a) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the date of this announcement, Mr. KW But and Mr. CT But, being the controlling Shareholders, and their respective associates will abstain from voting in favour of the resolution relating to the Rights Issue. The Rights Issue is conditional upon, among other things, the approval by the Independent Shareholders. The EGM will be held for the Independent Shareholders to consider and, if thought appropriate, approve the Rights Issue on votes to be taken by way of poll.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 6 April 2006 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 April 2006.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	Three Rights Shares for every two Shares held on the Record Date
Number of Shares in issue (<i>Note</i>):	214,000,000 Shares as at the date of this announcement
Number of outstanding Share Options:	12,000,000 Share Options to subscribe for an aggregate of 12,000,000 Shares as at the date of this announcement
Number of Rights Shares:	Not less than 321,000,000 and not more than 339,000,000 Rights Shares
Number of Rights Shares undertaken to be taken up by Mr. KW But and Mr. CT But:	Pursuant to the Underwriting Agreement, Mr. KW But and Mr. CT But have irrevocably undertaken to accept or procure acceptance of their entitlements under the Rights Issue for 90,750,000 Rights Shares and 85,500,000 Rights Shares respectively.

Number of Rights Shares undertaken by the Underwriter: Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite not less than 144,750,000 Rights Shares and not more than 162,750,000 Rights Shares (if all the Share Options have been exercised), representing approximately 27.06% and approximately 28.81% respectively of the total issued share capital of the Company as enlarged by the issue of the Rights Shares, on the terms and subject to the conditions set out in the Underwriting Agreement. The Rights Issue (other than the Rights Shares undertaken to be taken up by Mr. KW But and Mr. CT But) will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

Of the 12,000,000 Share Options mentioned above, 10,000,000 Share Options are being held by the employees of the Company and the remaining 2,000,000 Share Options are being held by other consultants of the Company. Among the holders of the Share Options, all employees and other consultants of the Company are independent third parties not connected with the Company and its connected persons (as defined under the Listing Rules). The exercise period of the Share Options is from 25 June 2003 to 25 June 2013.

Save for the Share Options mentioned above, there are no outstanding warrants or share options or securities that are convertible or exchangeable into Shares or confer any right to subscribe for Shares as at the date of this announcement.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.10 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 50.74% to the closing price of HK\$0.203 per Share on 4 April 2006, being the Last Trading Date (based on the closing price of HK\$0.203 as quoted on the Stock Exchange on 4 April 2006, being the Last Trading Date);
- (ii) a discount of approximately 51.22% to the average closing price of HK\$0.205 per Share for the 10 consecutive trading days up to and including 4 April 2006, being the Last Trading Date (based on the average closing price as quoted on the Stock Exchange for the 10 consecutive trading days up to and including 4 April 2006, being the Last Trading Date);
- (iii) a discount of approximately 49.75% to the average closing price of HK\$0.199 per Share for the 20 consecutive trading days up to and including 4 April 2006, being the Last Trading Date (based on the average closing price as quoted on the Stock Exchange for the 20 consecutive trading days up to and including 4 April 2006, being the Last Trading Date);
- (iv) a discount of approximately 49.50% to the average closing price of HK\$0.198 per Share for the 30 consecutive trading days up to and including 4 April 2006, being the Last Trading Date (based on the average closing price as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 4 April 2006, being the Last Trading Date);
- (v) a discount of approximately 29.18% to the theoretical ex-rights price of HK\$0.141 per Share based on the closing price of HK\$0.203 as quoted on the Stock Exchange on 4 April 2006, being the Last Trading Date; and
- (vi) a discount of approximately 83.79% to the net asset value per Share of approximately HK\$0.617 based on the unaudited consolidated net asset value of the Group as at 30 June 2005 as shown in the interim report the Company for the six months ended 30 June 2005 and the number of Shares in issue immediately before completion of the Rights Issue and assuming there will not be any exercise of the Share Options.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the low net asset value per Share of the Group as at 30 June 2005 and the increasing gearing ratio of the Company as shown in the interim report of the Company for the six months ended 30 June 2005. The Group needs additional funds to finance its operations and business activities. In view of the recent financial conditions of the Group as mentioned above and taking into consideration of the theoretical ex-rights price per Share, in order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (a) the passing by the Independent Shareholders at the EGM of an ordinary resolution (such vote shall be taken by way of poll) to approve the Rights Issue;
- (b) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance Cap. 32, Laws of Hong Kong;
- (c) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);
- (e) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement; and
- (f) compliance with and performance of all the undertakings and obligations of the Mr. KW But and Mr. CT But under the Underwriting Agreement.

If any of the conditions of the Rights Issue are not fulfilled on or before 6 July 2006 (or such later time and/or date as the Company and the Underwriter may determine), neither the Company nor the Underwriter shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the Rights Issue will not proceed.

Status of the Rights Issue

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the Shares in issue in all respects. Holders of such Rights Shares will be entitled to receive full future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares in their fully-paid form. The Rights Shares in both their nil-paid and fully-paid forms will be traded in board lot of 4,000 Shares which is the same as the board lot size for trading in Shares on the Stock Exchange. Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to Qualifying Shareholders and (ii) the Prospectus, for information only, to the Excluded Shareholders and the holders of Share Options.

To qualify for the Rights Issue, the Shareholder must be registered as a member of the Company on the Record Date and must not be an Excluded Shareholder. As at the date of this announcement, save for National Chain International Limited and Able Success Group Limited, the Company did not have any Overseas Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (with the relevant share certificate(s)) with the Registrar, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on the Latest Lodging Date. Holders of Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with their respective terms no later than the Latest Lodging Date. The last day of dealings in Shares on a cum-rights basis is therefore expected to be 7 June 2006. The Shares will be dealt with on an ex-rights basis from 8 June 2006.

Closure of register of members

The Company's register of members will be closed from 12 June 2006 to 15 June 2006, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders and Excluded Shareholders

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than that in Hong Kong.

In compliance with Rule 13.36(2) of the Listing Rules, the Directors will make enquiries as to whether the issue of Rights Shares to the Overseas Shareholder may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders.

The Company will send the circular including, among other things, details of (i) the Rights Issue, (ii) the recommendation of the independent board committee of the Company in relation to the Rights Issue, (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Rights Issue together with (iv) a notice convening the EGM to all Shareholders and the holders of Share Options. The Excluded Shareholders will be entitled to vote at the EGM to consider and, if thought fit, for the resolution approving, among other things, the Rights Issue.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the relevant Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholdings. The Company will keep individual amounts of less than HK\$100 for its own benefit. Any unsold Rights Shares will be available for excess application under the Rights Issue.

Fractional entitlement to the Rights Shares

No fractional entitlements or allotments are expected to arise as a result of the Rights Issue.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders and any nil-paid Rights Shares provisionally allotted but not accepted by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for.

The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the suggestions given by the Registrar, but will give preference to topping-up odd lots to whole board lots of Shares. The same basis of allocation of the excess Rights Shares will be applied to all Qualifying Shareholders including Mr. KW But and Mr. CT But. Shareholders with their Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the topping-up of odd lots for allocation of excess Rights Shares will not be extended to the ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) to increase their chances of allotment of the excess Rights Shares prior to the Record Date.

Share certificates for the fully-paid Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, Share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares on or before 7 July 2006 at ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before 7 July 2006 by ordinary post at their own risk.

Application for listing of the Rights Shares on the Stock Exchange

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Reasons for the Rights Issue and the use of proceeds

The Group is principally engaged in the manufacture, distribution and retail of snack food products in Hong Kong and the 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.

Upon the full subscription of the Rights Shares, the Company will receive net proceeds of approximately HK\$32.1 million or approximately HK\$33.9 million respectively. The Group needs additional funds to finance its operations and activities for expanding its businesses to overseas market. While the Group intends to continue to pursue its principal business, the Directors intend to apply the net proceeds of the Rights Issue towards the general working capital of the Group.

The Directors have considered other alternative fund raising methods such as issue of new shares and bank borrowings and consider that the Rights Issue has the benefits of allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings if they take up their entitled Rights Shares and participate in the future growth of the Group. Moreover, should Shareholders decide not to take up their entitlements under the Rights Issue, they can sell the nil-paid Right Shares in the market for economic benefit, if any.

The Directors believe that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

UNDERWRITING ARRANGEMENT

Undertakings from Mr. KW But and Mr. CT But

Pursuant to the Underwriting Agreement, Mr. KW But and Mr. CT But, who are indirectly interested in 117,500,000 Shares, representing approximately 54.90% of the total issued share capital of the Company as at the date of this announcement. Mr. KW But and Mr. CT But have undertaken to the Underwriter not to (without prior written consent of the Underwriter) transfer or otherwise dispose or acquire any Shares between the date of the Underwriting Agreement and the Latest Acceptance Date save for (i) taking up of the Rights Shares provisionally allotted to him pursuant to the Rights Issue or acquiring nil-paid rights or submitting excess application for excess Rights Shares or (ii) the acquisition of Shares in circumstances which does not contravene the Listing Rules.

Underwriting Agreement

Date:	4 April 2006
Underwriter:	TIS Securities (HK) Limited, an independent third party not connected with the Company and its connected persons (as defined under the Listing Rules)
Number of Rights Shares underwritten:	Not less than 144,750,000 Rights Shares and not more than 162,750,000 Rights Shares upon full exercise of the Share Options.
Commission:	3% of the aggregate Subscription Price of the maximum number of underwritten Shares, being 162,750,000 Rights Shares, for which the Underwriter has agreed to subscribe or procure subscription. The total underwriting commission to be received by the Underwriter will be approximately HK\$490,000. The Directors consider that underwriting commission of 3% is comparable with market rate and reasonable.

Assuming all the Share Options have been exercised on or before the Latest Lodging Date, in the event that no Qualifying Shareholder takes up any Rights Shares, the Underwriter, as the underwriter of the Rights Issue, will be required to subscribe for and take up all the Rights Shares (other than the Rights Shares undertaken to be taken up by Mr. KW But and Mr. CT But) that have not been subscribed for under the Rights Issue pursuant to their respective obligations under the Underwriting Agreement, which will result in the Underwriter holding 162,750,000 Rights Shares, representing approximately 28.81% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite not more than 162,750,000 Rights Shares representing approximately 28.81% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares, on the terms and subject to the conditions set out in the Underwriting Agreement. The Rights Issue (other than the Rights Shares undertaken to be taken up by Mr. KW But and Mr. CT But) will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

Termination of the Underwriting Agreement

If at any time, prior to 4:00 p.m. on the third Business Day following the Latest Acceptance Date, which is expected to be Thursday, 6 July 2006:

- (1) in the sole and absolute discretion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue, or
- (5) the circular, prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to 4:00 p.m. on the third Business Day **after the Latest Acceptance Date**, which is expected to be Thursday, 6 July 2006, to terminate the Underwriting Agreement.

The Underwriting Agreement further contains provisions that the Underwriter may terminate its commitment under the Underwriting Agreement if prior to 4:00 p.m. on the third Business Day **following the Latest Acceptance Date**, which is expected to be Thursday, 6 July 2006, there is:

- (a) any material breach of any of the warranties or undertakings under the Underwriting Agreement; or
- (b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriter.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

WARNING OF THE RISK OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 8 June 2006. Dealing in the Rights Shares in the nil-paid form will take place from 20 June 2006 to 28 June 2006 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or, in respect of conditions that are waivable, waived (as the case may be) on or before 6 July 2006 (or such later time and/or date as the Company and the Underwriter may agree in writing), or the Underwriting Agreement is terminated, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between 20 June 2006 and 28 June 2006 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholder or other persons contemplating dealings in the Shares or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

Shareholders and potential investors are advised to exercise caution when dealings in the Shares and the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

CHANGES IN SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue, assuming no Share Options have been exercised:

Shareholders	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue)		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Able Success Group Limited (Note 1)	60,500,000	28.27	151,250,000	28.27	151,250,000	28.27
National Chain International Limited (Note 2)	57,000,000	26.63	142,500,000	26.63	142,500,000	26.63
The Underwriter	–	–	144,750,000	27.06	–	–
Other Shareholders	96,500,000	45.10	96,500,000	18.04	241,250,000	45.10
Total	<u>214,000,000</u>	<u>100.00</u>	<u>535,000,000</u>	<u>100.00</u>	<u>535,000,000</u>	<u>100.00</u>

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue, assuming all Share Options have been exercised:

Shareholders	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue)		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Able Success Group Limited (Note 1)	60,500,000	26.77	151,250,000	26.77	151,250,000	26.77
National Chain International Limited (Note 2)	57,000,000	25.22	142,500,000	25.22	142,500,000	25.22
The Underwriter	–	–	162,750,000	28.81	–	–
Other Shareholders	108,500,000	48.01	108,500,000	19.20	271,250,000	48.01
Total	<u>226,000,000</u>	<u>100.00</u>	<u>565,000,000</u>	<u>100.00</u>	<u>565,000,000</u>	<u>100.00</u>

Note:

1. These Shares are wholly and beneficially owned by Mr. KW But, a younger brother of Mr. CT But, an executive Director and a substantial Shareholder.
2. These Shares are wholly and beneficially owned by Mr. CT But, an elder brother of Mr. KW But, an executive Director and a substantial Shareholder.

The Company undertakes to take all appropriate steps to ensure that sufficient public float be maintained prior to the completion of the Rights Issue,

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that the Rights Issue will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

	<i>2006</i>
Despatch of Company's circular with notice of EGM	17 May
Latest time for lodging forms of proxy for the purpose of the EGM	9:30 a.m. on 3 June
EGM	9:30 a.m. on 5 June
Announcement of results of EGM to be published on the Stock Exchange website	6 June
Last day of dealings in Shares on a cum-rights basis	7 June
First day of dealings in Shares on an ex-rights basis	8 June
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue	4:00 p.m. on 9 June
Latest time for holders of the Share Options to exercise their respective Share Options in order to be qualified for the Rights Issue	4:00 p.m. on 9 June
Register of members of the Company closed (both dates inclusive)	12 June to 15 June
Record Date	15 June
Register of members of the Company re-opens	16 June
Despatch of the Prospectus Documents (in case of the Excluded Shareholders, the Prospectus only)	16 June
First day of dealings in nil-paid Rights Shares	20 June
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on 23 June
Last day of trading in nil-paid Rights Shares	28 June
Latest time for acceptance of, and payment of Rights Shares and application for excess Rights Shares	4:00 p.m. on 3 July
Latest time for the Rights Issue to become unconditional (being the third Business Days following the Latest Acceptance Date)	4:00 p.m. on 6 July
Announcement of results of acceptance of and excess application for the Rights Shares to be published on the Stock Exchange	On or before 7 July
Despatch of refund cheques in respect of unsuccessfully or partially unsuccessful excess applications for excess Rights Shares	On or before 7 July
Despatch of share certificates for fully-paid Rights Shares	On or before 7 July
Dealings in fully-paid Rights Shares commence	9:30 a.m. on 11 July

EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE DATE

The Latest Acceptance Date will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 3 July 2006. Instead, the Latest Acceptance Date will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Acceptance Date is postponed in accordance with the foregoing, the dates mentioned in the section headed “EXPECTED TIMETABLE” in this announcement may be affected. A press announcement will be made by the Company in such event.

ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS

The Company adopted the Share Option Scheme approved by way of written resolution on 3 June 2003. Up to the date of this announcement, 12,000,000 Share Options have been granted by the Company under the Share Option Scheme entitling the holders thereof to subscribe for up to an aggregate of 12,000,000 Shares at a subscription price of HK\$0.316 per Share.

The issue of the Rights Shares will cause adjustments to the subscription price. As to the adjustments to the number of Shares to be issued and the subscription price in respect of the Share Options, the Company will instruct its auditors to review and certify the basis of such adjustments as soon as possible. The Company will inform the holders of the Share Options of the adjustments accordingly. Further announcement will be made by the Company in respect of such adjustments as and when appropriate. The Company will comply with the letter issued by the Stock Exchange dated 5 September 2005 and the respective supplementary guidance in adjusting the subscription price of the Share Options.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not performed any fund raising activities in the past twelve months from the date of this announcement.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 6 April 2006 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10 April 2006.

GENERAL

Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue is conditional upon, among other things, the approval by the Independent Shareholders. The EGM will be held for the Independent Shareholders to consider and, if thought appropriate, approve the Rights Issue. Mr. KW But and Mr. CT But, being the controlling Shareholders, will abstain from voting on the resolution approving the Rights Issue at the EGM pursuant to the Listing Rules. The voting at the EGM will be taken by way of poll.

The Company will establish an independent board committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

A circular including, among other things, details of (i) the Rights Issue; (ii) the recommendation of the independent board committee in relation to the Rights Issue; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Rights Issue together with (iv) a notice convening the EGM to all Shareholders and the holders of the Share Options will be despatched to the Shareholders and the holders of the Share Options as soon as practicable.

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions of the Rights Issue being satisfied.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business in dealing securities
“Company”	Wah Yuen Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Rights Issue
“Excluded Shareholders”	Overseas Shareholders, to whom the Directors, based on legal opinions provided by legal advisers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Rights Shares
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Mr. KW But and Mr. CT But and their respective associates who are required by the Listing Rules or the Stock Exchange to abstain from voting in respect of the resolution to approve the Rights Issue
“Latest Acceptance Date”	being 4:00 p.m. 3 July 2006 or such other date and/or time as the Underwriter and the Company may agree as the latest date for acceptance and payment in respect of provisional allotments and applications for excess under the Rights Issue
“Latest Lodging Date”	being 4:00 p.m. 9 June 2006 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of Shares and/or exercising Share Options in order to be qualified for the Rights Issue
“Last Trading Date”	4 April 2006, being the last trading day of the Shares prior to the release of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. CT But”	Mr. But Chai Tong, the vice-chairman, executive Director and a substantial shareholder of the Company, who indirectly interested in 57,000,000 Shares by his entire beneficial shareholding in National Chain International Limited
“Mr. KW But”	Mr. But Ka Wai, the chairman, executive Director and a substantial shareholder of the Company, who indirectly interested in 60,500,000 Shares by his entire beneficial shareholding in Able Success Group Limited
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) as shown on such register is (are) outside Hong Kong

“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Prospectus Posting Date”	16 June 2006 or such later date as the Underwriter may agree in writing with the Company
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	15 June 2006, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the Company’s Hong Kong branch share registrar
“Rights Issue”	the proposed issue of Rights Shares on the basis of three Rights Shares for every two Shares to Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the Rights Issue
“Rights Share(s)”	not less than 321,000,000 Shares and not more than 339,000,000 Shares to be issued pursuant to Rights Issue
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued and unissued share capital of the Company
“Share Option(s)”	the share option(s) granted under the Share Option Scheme
“Share Option Scheme”	a share option scheme adopted by the Company pursuant to a written resolution passed on 3 June 2003
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.10 per Rights Share
“Underwriter”	TIS Securities (HK) Limited, an independent third party not connected with the Company and its connected persons (as defined under the Listing Rules)
“Underwriting Agreement”	the underwriting agreement dated 4 April 2006 entered into among the Company, the Underwriter, Mr. KW But and Mr. CT But in relation to the Rights Issue
“%”	percent.

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

Hong Kong, 7 April 2006

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; Mr. 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.

Please also refer to the published version of this announcement in The Standard.