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SENYUAN INTERNATIONAL HOLDINGS LIMITED

森源國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

DISCLOSEABLE AND CONNECTED TRANSACTION

Senyuan International Holdings Limited (the "Company") through its wholly-owned subsidiary, Senyuan International Investments Limited, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with the Vendors (as defined below) on 27 July 2006 pursuant to which the Company shall acquire from the Vendors 100% interest in Team Billion (as defined below) and the Shareholders' Loan (as defined below) in the aggregate sum of HK\$7,800,000 for a total consideration of HK\$7,800,000 (the "Acquisition").

The terms of the Sale and Purchase Agreement have been negotiated on an arm's length basis. The Directors of the Company (the "Directors"), including the independent non-executive Directors, consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the shareholders of the Company as a whole are concerned.

The Acquisition constitutes a discloseable and connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A circular will be despatched to the shareholders of the Company as soon as possible.

SALE AND PURCHASE AGREEMENT DATED 27 JULY 2006

Parties:

Vendors: Mr. Tsang Shui Ching Patrick ("Mr. Tsang") and Mr. Zhou Anmin ("Mr. Zhou")
(Mr. Tsang and Mr. Zhou collectively the "Vendors")

Purchaser: Senyuan International Investments Limited, a wholly-owned subsidiary of the Company
(the "Purchaser")

Assets to be Acquired:

- (i) 100% interest in Team Billion Investment Limited ("Team Billion") of which 50% will be from Mr. Tsang and 50% will be from Mr. Zhou.
- (ii) shareholders' loan (the "Shareholders' Loan") in the aggregate sum of HK\$7,800,000 of which HK\$3,900,000 is owed by Team Billion to Mr. Tsang and HK\$3,900,000 is owed by Team Billion to Mr. Zhou. The Shareholders' Loan was interest free, unsecured and payable on demand. After completion of the Acquisition, the shareholders' loan in the aggregate sum of HK\$7,800,000 will be owed by Team Billion to the Purchaser and will remain interest free, unsecured and payable on demand.

Consideration:

The total consideration for the Acquisition (the "Consideration") is HK\$7,800,000.

The Consideration is arrived at with reference to the aggregate amount of the net asset value of Team Billion and the Shareholders' Loan. The Consideration represents approximately 2.2% discount to the aggregate amount of the net asset value of Team Billion and the Shareholders' Loan. The Directors (including the independent non-executive Directors) consider that the Consideration was determined after arm's length negotiations between the parties and are on normal commercial terms.

The Acquisition will be funded by internal resources of the Company and its subsidiaries.

Payment Terms:

The Consideration will be satisfied by cash upon completion.

Conditions:

The Acquisition is not subject to any condition.

Completion:

Completion of the Acquisition shall take place at the time of signing of the Sale and Purchase Agreement or on such other date as the parties may agree.

The Company

The Company and its subsidiaries are principally engaged in design, development manufacturing and marketing of vacuum circuit breakers and other components of switchgears.

Team Billion

Team Billion is a company incorporated in Hong Kong with limited liability on 27 December 2004. Its principal business is investment holding. Its principal asset is the investment in 常州蘭陵電器有限公司 (Changzhou Lanling Electrical Appliance Company Limited*) ("CLEACL"). Its issued and paid-up share capital is HK\$10,000 divided into 10,000 shares of HK\$1.00 each.

CLEACL was established on 28 December 2004 as a wholly-foreign-owned enterprise in the People's Republic of China and has been wholly-owned by Team Billion since its establishment. CLEACL's registered capital is US\$1 million and has been fully paid-up. The concession period for the operations of CLEACL is 12 years. Its principal business is manufacture and sale of gas-insulated switchgears. It commenced operations in May 2006.

Based on the latest audited consolidated accounts of Team Billion, it has a net asset value of HK\$175,726 as of 30 June 2006 and its net loss for the six-month period ended 30 June 2006 is HK\$31,655 and its net loss for the period ended 31 December 2005 is HK\$31,100.

* The English name is for identification purpose only.

Reasons for the Acquisition

The Directors consider that the Acquisition is in line with the business strategy of the Company to extend into the business of sale of switchgears and believe that the Acquisition provides the Company with an opportunity to widen its earnings base and increase its revenue.

Therefore, the Directors, including the independent non-executive Directors, consider that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Discloseable and Connected Transaction

The Company is owned as to 75% by Senyuan International Limited which is owned as to 50% and 50% by Lanling Electrical Ltd. ("Lanling Electrical") and Tai Ah International Limited ("Tai Ah International") respectively. Lanling Electrical is wholly-owned by Mr. Zhou. Tai Ah International is owned as to 75% by Mr. Tsang. Both Mr. Tsang and Mr. Zhou are directors of the Company. They are therefore connected persons of the Company under the Listing Rules.

Since (i) the assets ratio of the Acquisition exceeds 5% but less than 25%; (ii) the revenue ratio, the gross profits ratio and the consideration ratio of the Acquisition are less than 2.5% and the Consideration is less than HK\$10,000,000, the Acquisition constitutes a discloseable and connected transaction for the Company under the Listing Rules and is exempt from independent shareholders approval requirement but subject to the reporting and announcement requirements under Chapter 14 and 14A of the Listing Rules.

A circular containing the details on the Acquisition will be despatched to the shareholders of the Company as soon as practicable.

As at the date of this announcement, the Board is composed of Mr. Tsang Shui Ching, Patrick, Mr. Zhou Anmin, Mr. Lou Chong Wei and Mr. Shu Yi Jin as executive Directors and Mr. Keung Ping Yin, Raymond, Mr. Wong Yiu Sun, Peter and Mr. Lu Yan Sun as independent non-executive Directors.

By Order of the Board
TSANG SHUI CHING, PATRICK
Chairman

Hong Kong, 27 July 2006

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