

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of HK\$0.01 each in the capital of Wah Yuen Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities in the Company.



WAH YUEN HOLDINGS LIMITED

華園控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

DISCLOSEABLE AND CONNECTED TRANSACTION

Financial adviser to Wah Yuen Holdings Limited



Optima Capital Limited

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



REXCAPITAL (Hong Kong) Limited

A letter of advice from the independent board committee of the Company is set out on page 14.

A letter of advice from REXCAPITAL (Hong Kong) Limited, the independent financial adviser of the Company, containing its opinion and advice to the independent board committee and the independent shareholders of the Company is set out on pages 15 and 21 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 2nd Floor, On Shing Industrial Building, Nos. 2-16 Wo Liu Hang Road, Fo Tan, Shatin, New Territories, Hong Kong on Friday, 18 January 2008 at 10:00 a.m. is set out on pages 27 to 28 of this circular. There is a form of proxy for use at the extraordinary general meeting accompanying this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, unless the content otherwise requires, the following expressions shall have the following meanings:

“2010 Convertible Bonds”	the 3% convertible bonds due in 2010 of the Company in issue with principal amount of HK\$122,000,000 which are convertible into new Shares at an initial conversion price of HK\$1.43 per Share (subject to adjustments), details of which are set out in the Company’s announcement dated 24 October 2007
“2017 Convertible Bonds”	the 3% convertible bonds due in 2017 of the Company in issue with principal amount of HK\$180,050,000 which are convertible into new Shares at the initial conversion price of HK\$0.15 per Share (subject to adjustments)
“Agreement”	the sale and purchase agreement dated 6 December 2007 entered into between the Vendor and Top Harbour in relation to the Second Acquisition
“Announcement”	the announcement of the Company dated 11 December 2007 in relation to the Second Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“CEWH”	China Environmental Water Holdings Limited, a company incorporated in Hong Kong with limited liability
“Company”	Wah Yuen Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Agreement
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Second Acquisition of HK\$40,000,000 payable by Top Harbour and to be satisfied by the allotment and issue of the Consideration Shares
“Consideration Shares”	the 33,057,852 new Shares to be allotted and issued to the Vendor to satisfy the Consideration
“Directors”	directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Second Acquisition (including but not limited to the allotment and issue of the Consideration Shares)
“First Acquisition”	the acquisition by Top Harbour of the entire issued share capital of CEWH as announced by the Company on 12 July 2007 and completed on 13 November 2007
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders on the Second Acquisition
“Independent Shareholders”	Shareholders other than the Vendor and its associates
“Issue Price”	the issue price of HK\$1.21 per Consideration Share
“Latest Practicable Date”	28 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. KW But”	Mr. But Ka Wai, an executive Director and Chairman of the Company
“PRC”	the People’s Republic of China
“REXCAPITAL”	REXCAPITAL (Hong Kong) Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Seabuckthorn Company”	Conseco Seabuckthorn Co., Ltd., a Sino-foreign equity joint venture established under the laws of the PRC, whose equity capital is currently held as to 50% by CEWH

DEFINITIONS

“Seabuckthorn Group”	Seabuckthorn Company and its subsidiary(ies)
“Second Acquisition”	the proposed acquisition of 10% equity interest in Seabuckthorn Company by Top Harbour pursuant to the Agreement
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Harbour”	Top Harbour Development Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Vendor”	江海世紀投資管理(北京)有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.*)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC



WAH YUEN HOLDINGS LIMITED
華園控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

Executive Directors:

Mr But Ching Pui (*Honorary Chairman*)
Mr But Ka Wai (*Chairman*)
Mr But Chai Tong (*Vice Chairman*)

Non-executive Directors:

Ms Leung Wai Ling
Mr Ngai Chun Kong, Stephen

Independent non-executive Directors:

Mr Cheung Yu Yan, Tommy
Mr Ip Shing Tong, Francis
Mr Ku Siu Fung, Stephen

Registered office:

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P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

2nd Floor, On Shing Industrial Building
Nos. 2-16 Wo Liu Hang Road
Fo Tan, Shatin
New Territories
Hong Kong

31 December 2007

*To the Shareholders and, for information only,
holders of the 2010 Convertible Bonds
and 2017 Convertible Bonds*

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

On 6 December 2007, Top Harbour, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire from the Vendor 10% equity interest in Seabuckthorn Company for an aggregate consideration of HK\$40,000,000. The Consideration is to be satisfied by Top Harbour by procuring the Company to allot and issue the Consideration Shares to the Vendor, credited as fully paid, at the Issue Price of HK\$1.21 per Consideration Share.

LETTER FROM THE BOARD

CEWH, a wholly-owned subsidiary of Top Harbour, is currently holding 50% equity interest in Seabuckthorn Company. As the Group has four representatives out of a total of seven members on the board of directors of Seabuckthorn Company and is therefore able to exercise control over Seabuckthorn Company, the Seabuckthorn Group companies have been accounted for as subsidiaries of the Company and their results have been consolidated in the accounts of the Company since completion of the First Acquisition on 13 November 2007. Following Completion, Top Harbour will hold an aggregate of 60% direct and indirect equity interest in Seabuckthorn Company. The Seabuckthorn Group companies will continue to be accounted for as subsidiaries of the Company and their results will continue to be consolidated into the accounts of the Group.

The Seabuckthorn Group is principally engaged in the cultivation and sale of seabuckthorn seedlings and manufacturing and sale of seabuckthorn related health products.

The Second Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. By virtue of the Vendor's substantial shareholding interest in Seabuckthorn Company, the Vendor is a connected person of the Company for the purpose of the Listing Rules and the Second Acquisition also constitutes a connected transaction under the Listing Rules which requires the approval of the Independent Shareholders. Taking into account the Vendor's material interest in the transaction, the Vendor and its associates are required to abstain from voting at the EGM. The Vendor and its associates did not own or hold any Shares as at the Latest Practicable Date.

This circular provides you with, among other things, (i) further details of the Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares); (ii) the recommendation of the Independent Board Committee; (iii) a letter of advice from REXCAPITAL; and (iv) further information of the Group; and (v) a notice of the EGM.

THE AGREEMENT

Date 6 December 2007

Parties

- (i) Purchaser : Top Harbour, a wholly-owned subsidiary of the Company; and
- (ii) Vendor : 江海世紀投資管理(北京)有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.*).

The Vendor is an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from being a holder of 10% equity interest in Seabuckthorn Company, the Vendor and its ultimate beneficial owner(s) are third parties otherwise independent of the Company and its connected persons. The Group has neither entered into any previous transactions nor has any prior relationship with the Vendor and its ultimate beneficial owner(s) which would otherwise require aggregation pursuant to Rule 14.22 of the Listing Rules.

LETTER FROM THE BOARD

Assets to be acquired

10% of the equity interest in Seabuckthorn Company.

Seabuckthorn Company is currently held as to 50% by CEWH; as to 18% by 水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development*); as to 22% by 北京山合林水環境規劃設計中心 (Beijing Shan He Lin Environment Planning Design Centre*) and as to the balance of 10% by the Vendor.

The Seabuckthorn Group are principally engaged in the cultivation and sale of seabuckthorn seedlings, and processing, development, manufacturing and sale of seabuckthorn related food and health products and cosmetic products in the PRC, Hong Kong and other overseas markets. Seabuckthorns are recognized for their high nutrient content in protein, vitamins C and E, and amino acids. The leaves and young branches and berries are used as functional food for their nutrition content (such as berries juices and tea leaves) and medicinal and cosmetics products for their pharmaceutical and antioxidant qualities (such as seabuckthorn oil for skin therapy including sun, heat, chemical and radiation burns, eczema and poorly healing wounds). Seabuckthorns are also widely cultivated for agronomic and environmental protection. They rapidly develop an extensive root system capable of fixing nitrogen and have been used for soil erosion control and land reclamation projects and breeding seedlings, to cultivation of operates in vertical integration from the developing seabuckthorn, to berries processing, to manufacturing of seabuckthorn products.

The Seabuckthorn Group has founded its own seabuckthorn cultivation bases in Erdos Plateau, Loess Plateau, North-eastern Plain and Qinghai-Tibet Plateau in the PRC with total area of about 200,000 hectares to guarantee the stable supply of seabuckthorn for its manufacturing activities in seabuckthorn related products. The Seabuckthorn Group has also established seedling bases over a total area of about 200 hectares in Beijing, Inner Mongolia Autonomous Region and Shanxi province, with annual reproduction capacity of approximately 100 million plants. It has also set up a raw material processing centre with annual fruit processing capacity of 5,000 tons. The products manufactured by the Seabuckthorn Group are of a wide variety, from raw materials including seed oil, pulp oil, pulp powder, flavone powder, raw juices, concentrate juices, seedlings, seeds, dried berries and tea leaves, finished products including health products such as flavone soft capsules, seed oil soft capsules, pulp oil soft capsules, seed oil, pulp oil, tea in packs, and cosmetic series. The sale and distribution network covers 11 provinces in the PRC, spanning over northern, northwestern, northeastern and central part of the PRC.

The Seabuckthorn Group companies have been accounted for as subsidiaries in the accounts of CEWH since the establishment of Seabuckthorn Company in November 2005. As the Group has four representatives out of a total of seven members on the board of directors of Seabuckthorn Company and is therefore able to exercise control over Seabuckthorn Company, the Seabuckthorn Group companies have been accounted for as subsidiaries of the Company and their results have been consolidated into the accounts of the Group since completion of the First Acquisition on 13 November 2007.

LETTER FROM THE BOARD

Set out below are the audited financial information of the Seabuckthorn Group as extracted from the circular dated 24 September 2007 issued by the Company in connection with the First Acquisition:

	Year ended 31 March	
	2006	2007
	RMB'000	RMB'000
Revenue	<u>9,582</u>	<u>5,609</u>
Operating profit before taxation	12,464	21,883
Taxation	<u>3,171</u>	<u>4,222</u>
Profit for the year attributable to		
– equity holders of Seabuckthorn Company	8,258	17,694
– minority interests	1,035	(33)
	<u>9,293</u>	<u>17,661</u>

The audited consolidated net assets attributable to equity holders of Seabuckthorn Company as at 31 March 2007 were approximately RMB61.4 million.

The Consideration

The Consideration for the Second Acquisition is HK\$40,000,000 and shall be satisfied by Top Harbour by procuring the Company to allot and issue the Consideration Shares to the Vendor, credit as fully paid, at the Issue Price of HK\$1.21 per Consideration Share.

The Consideration Shares represent approximately 4.81% of the existing issued share capital of the Company, and approximately 4.59% of the issued share capital of the Company as enlarged by the allot and issue of the Consideration Shares.

The Consideration Shares shall be allotted and issued pursuant to a specific mandate to be sought from the Independent Shareholders in the EGM and shall rank pari passu among themselves and with all the other Shares in issue as at the date of allotment and issue of the Consideration Shares. A general mandate has been granted to the Directors at the general meeting held on 13 June 2007, granting authority for the Directors to allot and issue 107,000,000 new Shares. Part of such general mandate has been reserved for the purpose of issuing new Shares upon conversion of the 2010 Convertible Bonds. Assuming full conversion of the 2010 Convertible Bonds at the initial conversion price of HK\$1.43 (subject to adjustments), a total of 85,314,685 Shares will be allotted and issued using such general mandate. Upon conversion in full of the 2010 Convertible Bonds at the minimum reset conversion price of HK\$1.144 (subject to adjustments) pursuant to the terms of the 2010 Convertible Bond, a total of 106,643,356 Shares will be allotted and issued using such general mandate.

LETTER FROM THE BOARD

The Consideration was arrived at after arm's length negotiations between the parties and is equivalent to the proportionate consideration paid by the Group for the First Acquisition (i.e. HK\$200,000,000 for a 50% effective interest in Seabuckthorn Company). As disclosed in the circular of the Company dated 24 September 2007 in relation to the First Acquisition, the vendor under the First Acquisition guaranteed to Top Harbour that the audited consolidated net profit after tax and extraordinary or exceptional items of the CEWH Group (before deducting minority interests) will not be less than HK\$20 million for the year ending 31 March 2008 (the "Guaranteed Profit"). The consideration for the First Acquisition and the Consideration for the Second Acquisition represent a price/earnings multiple of 20 times on the Guaranteed Profit. Taking into account the market potentials of the Seabuckthorn Group as demonstrated by the rapid growth in profits of the Seabuckthorn Group as described above, and the possible earnings contribution to the Group in future on the basis of the Guaranteed Profit, against the relatively stable earnings level of the Group, the Directors consider the Consideration to be fair and reasonable.

As advised by the Vendor, the original cost of the 10% equity interest in Seabuckthorn Company to the Vendor is approximately RMB4 million. As such cost represented capital contributions made by the Vendor since establishment of the Seabuckthorn Company in November 2005, the Directors do not consider the original cost to the Vendor relevant to the determination of the Consideration.

The Issue Price

The Issue Price represents:

- (i) a premium of 10% over the closing price of HK\$1.10 per Share as quoted on the Stock Exchange on 6 December 2007, being the date of the Agreement and the last trading day of the Shares prior to the date of the Announcement;
- (ii) a premium of approximately 5.4% over the average of the closing prices of HK\$1.148 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including 6 December 2007, being the date of the Agreement and the last trading day of the Shares prior to the date of the Announcement;
- (iii) a premium of approximately 3.5% over the average of the closing prices of HK\$1.169 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including 6 December 2007, being the date of the Agreement and the last trading day of the Shares prior to the date of the Announcement;
- (iv) a premium of approximately 236.1% over the audited consolidated net assets of the Company of HK\$0.36 per Share as at 31 December, 2006; and
- (v) a discount of approximately 4.7% over the closing price of HK\$1.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was determined after arm's length negotiations between the parties with reference to the prevailing market price of the Shares.

LETTER FROM THE BOARD

Conditions of the Agreement

The Agreement is subject to and conditional upon the fulfillment or waiver of the following conditions on or before 15 March 2008 (or such later date as shall be agreed between the Vendor and Top Harbour):

- (a) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated thereby having been obtained;
- (b) all necessary consents and approvals required to be obtained from all relevant PRC government authorities in respect of the Agreement and the transactions contemplated thereby having been obtained;
- (c) the passing by the Shareholders who are allowed to vote under the Listing Rules at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated hereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor credited as fully paid;
- (d) the obtaining of a PRC legal opinion (in form and substance satisfactory to Top Harbour) in relation to the transactions contemplated under the Agreement;
- (e) the warranties contained in the Agreement remaining true and accurate in all respects; and
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares.

Conditions (d) and (e) are capable of being waived by Top Harbour while the other conditions in (a), (b), (c) and (f) above cannot be waived. An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

If any of the above conditions have not been fulfilled (or as the case may be, waived by Top Harbour) on or before 15 March 2008, the Agreement shall cease and determine and no party shall have any obligations and liabilities towards each other save for antecedent breaches.

Completion of the Agreement is to take place on the date falling two business days after fulfillment or waiver of the conditions referred to above.

LETTER FROM THE BOARD

Undertaking

The Vendor has undertaken to Top Harbour that it shall not sell, transfer or otherwise dispose of the Consideration Shares for a period of 6 months commencing from the date of Completion unless with the prior written consent of Top Harbour. Save as aforesaid, there is no other restriction on the subsequent sale or transfer of the Consideration Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company (i) as at the Latest Practicable Date; (ii) immediately upon Completion; (iii) immediately after Completion and upon full conversion of the 2017 Convertible Bonds and the 2010 Convertible Bonds at their respective initial conversion price; and (iv) immediately after Completion and upon partial conversion of the 2017 Convertible Bonds and full conversion of the 2010 Convertible Bonds at their respective initial conversion price, each prepared on the basis that there would be no changes in the issued share capital of the Company after the Latest Practicable Date other than as stated in each scenario. Shareholders should take note that the analysis under scenario (iii) is shown for illustration purpose only and will not materialise, for the reason that the terms and conditions of the 2017 Convertible Bonds stipulate that the conversion rights attaching to the 2017 Convertible Bonds may be converted by the holder thereof into Shares provided that such conversion does not trigger a mandatory offer obligation on the part of the holder of the 2017 Convertible Bonds who exercises its conversion rights.

	As at the Latest Practicable Date		Immediately upon Completion		After Completion and upon full conversion of the 2017 Convertible Bonds and the 2010 Convertible Bonds		After Completion and upon partial conversion of the 2017 Convertible Bonds and full conversion of the 2010 Convertible Bonds	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Able Success Group Limited (Note 1)	151,250,000	21.86	151,250,000	20.86	151,250,000	7.52	151,250,000	15.66
Mr. KW But	312,000	0.05	312,000	0.04	312,000	0.02	312,000	0.03
Sharp Profit Investments Limited (Note 2)	133,000,000	19.22	133,000,000	18.35	1,333,333,333 (Note 4)	66.31	288,895,437 (Note 5)	29.90
	284,562,000	41.13	284,562,000	39.25	1,484,895,333	73.85	440,457,437	45.59
The Vendor	-	-	33,057,852	4.56	33,057,852	1.65	33,057,852	3.42
Holders of the 2010 Convertible Bonds	-	-	-	-	85,314,685	4.24	85,314,685	8.83
Other public Shareholders	407,375,500	58.87	407,375,500	56.19	407,375,500	20.26	407,375,500	42.16
	407,375,500	58.87	440,433,352	60.75	525,748,037	26.15	525,748,037	54.41
Total	691,937,500 (Note 3)	100.00	724,995,352	100.00	2,010,643,370	100.00	966,205,474	100.00

LETTER FROM THE BOARD

Notes:

- (1) Mr. KW But wholly and beneficially owns the entire issued share capital of Able Success Group Limited.
- (2) Sharp Profit Investments Limited is a wholly-owned subsidiary of China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (stock code : 855). Sharp Profit Investments Limited is the holder of the 2017 Convertible Bonds.
- (3) As at the date of the Announcement, the total issued share capital of the Company was 686,625,000 Shares. Since the date of the Announcement and up to the Latest Practicable Date, a total of 5,312,500 Shares were issued upon exercise of share options of the Company. Therefore, the total number of issued Shares were 691,937,500 Shares as at the Latest Practicable Date.
- (4) Pursuant to the terms and conditions of the 2017 Convertible Bonds, holder(s) of the Convertible Bond may exercise all or part of the 2017 Convertible Bonds provided that the issue of the relevant Shares to it/them shall not trigger any general offer obligation on the part of the relevant 2017 Convertible Bonds holder who exercises the 2017 Convertible Bonds. Accordingly, this column is shown for illustration purpose only and this scenario will not materialise.
- (5) Holder(s) of the 2017 Convertible Bonds may exercise its/their conversion rights attaching to 2017 Convertible Bonds up to a principal amount of approximately HK\$23,384,315.6, such that a total of 155,895,437 Shares shall be allotted and issued at the initial conversion price of HK\$0.15 each (which together with the Shares already held shall amount to 288,895,437 Shares and represent 29.90% of the then enlarged issued share capital of the Company) without triggering any general offer obligation on the part of the relevant 2017 Convertible Bonds holder under the existing provisions of the Hong Kong Code on Takeovers and Mergers.

REASONS FOR THE 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 31st 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 First 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 the Group's equity interest holding in the Seabuckthorn Group through the Second Acquisition.

As mentioned earlier, the results of the Seabuckthorn Group companies have been consolidated into the accounts of the Group since completion of the First Acquisition on 13 November 2007. The Second Acquisition is not expected to result in any significant effects on the total assets and total liabilities of the Group. Following Completion, the minority interest in Seabuckthorn Company would be reduced from 50% to 40% and the profit of the Group which is attributable to minority interest would be reduced correspondingly. Taking account of the historical performance of Seabuckthorn Group companies, the Directors consider that the Second Acquisition will contribute to the earning base of the Group.

LETTER FROM THE BOARD

The Directors consider the Second Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable.

LISTING RULES IMPLICATIONS

The Second Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. By virtue of the Vendor's substantial shareholding interest in Seabuckthorn Company which is in turn accounted for as a subsidiary of the Company, the Vendor is a connected person of the Company for the purposes of the Listing Rules. The Second Acquisition therefore also constitutes a connected transaction for the Company under the Listing Rules which requires the approval of the Independent Shareholders. Taking into account the Vendor's material interest in the transaction, the Vendor and its associates are required to abstain from voting at the EGM. The Vendor and its associates did not own or hold any Shares as at the Latest Practicable Date. The Independent Board Committee has been established to advise the Independent Shareholders on the Second Acquisition. REXCAPITAL has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Second Acquisition.

EGM

The EGM will be held at 2nd Floor, On Shing Industrial Building, Nos. 2-16 Wo Liu Hang Road, Fo Tan, Shatin, New Territories, Hong Kong on Friday, 18 January 2008 at 10:00 a.m. to consider and, if thought fit, approve the ordinary resolution to approve the proposed Second Acquisition and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares.

The notice of the EGM is set out on pages 27 to 28 of this circular. There is a form of proxy for use at the EGM accompanying this circular. Whether or not you will be able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 72 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded. A poll may be demanded by:

- (i) the chairman of the meeting; or

LETTER FROM THE BOARD

- (ii) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth one-tenth of the total sum paid up on all the Shares conferring that right.

Pursuant to article 73A of the articles of association of the Company, notwithstanding any other provisions in the articles of association of the Company, if the aggregate proxies held by (i) the chairman of a particular meeting, and/or (ii) the Directors, account for five (5) per cent or more of the total voting rights at that meeting, and if on a show of hands in respect of any resolution, the meeting votes in the opposite manner to that instructed in those proxies, the chairman of the meeting and/or any Director holding proxies as aforesaid shall demand a poll.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of REXCAPITAL, considered that the terms of the Agreement are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Shareholders and the Company as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transaction contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares).

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 14 of this circular and the letter from REXCAPITAL to the Independent Board Committee and the Independent Shareholder set out on pages 15 to 21 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix in this circular.

For and on behalf of the Board
Wah Yuen Holdings Limited
But Ka Wai
Chairman



WAH YUEN HOLDINGS LIMITED
華園控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

31 December 2007

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 31 December 2007 of which this letter forms part (the “Circular”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors, we have been appointed by the Board to advise you as to whether the terms of the Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

We wish to draw your attention to the advice of REXCAPITAL, the independent financial adviser, in respect of the Agreement as set out in the letter from REXCAPITAL in the Circular.

Having considered the Agreement and the advice and opinion of REXCAPITAL in relation thereto, we are of the opinion that the terms of the Agreement are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Shareholders and the Company as a whole. We therefore recommend that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement.

Your faithfully,

For and on behalf of

The Independent Board Committee

Mr. Cheung Yu Yan, Tommy

Mr. Ip Shing Tong, Francis

Mr. Ku Siu Fung, Stephen

Independent Non-executive Directors

LETTER FROM REXCAPITAL

The following is the text of a letter of advice from REXCAPITAL to the Independent Board Committee and the Independent Shareholders in respect of the Second Acquisition, and is prepared for inclusion in this circular.



REXCAPITAL (Hong Kong) Limited
34th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

31 December 2007

*The Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and the reasonableness of the terms of the Second Acquisition, details of which are set out in the circular to the Shareholders dated 31 December 2007 (the "Circular"), of which this letter forms a part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 11 December 2007, the Company announced that Top Harbour, a wholly-owned subsidiary of the Company, and the Vendor have entered into the Agreement on 6 December 2007, pursuant to which Top Harbour has conditionally agreed to acquire from the Vendor 10% equity interest in Seabuckthorn Company for an aggregate consideration of HK\$40,000,000. The Consideration is to be satisfied by Top Harbour by procuring the Company to allot and issue the Consideration Shares to the Vendor, credited as fully paid, at the Issue Price of HK\$1.21 per Consideration Share.

As stated in Letter from the Board of the Circular (the "Letter"), CEWH, a wholly-owned subsidiary of Top Harbour, is currently holding 50% equity interest in Seabuckthorn Company. As the Group has four representatives out of a total of seven members on the board of directors of Seabuckthorn Company and is therefore able to exercise control over Seabuckthorn Company, the Seabuckthorn Group companies have been accounted for as subsidiaries of the Company and their results have been consolidated in the accounts of the Company since completion of the First Acquisition on 3 November 2007. Following Completion, Top Harbour will hold an aggregate of 60% direct and indirect equity interest in Seabuckthorn Company and the Seabuckthorn Group companies will continue to be accounted for as subsidiaries of the Company, the results of which will continue to be consolidated into the accounts of the Group.

LETTER FROM REXCAPITAL

The Second Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. By virtue of the Vendor's substantial shareholding interest in Seabuckthorn Company, the Vendor is a connected person of the Company for the purpose of the Listing Rules and the Second Acquisition also constitutes a connected transaction under the Listing Rules which requires the approval of the Independent Shareholders. Taking into account the Vendor's material interest in the transaction, the Vendor and its associates are required to abstain from voting at the EGM to consider and, if thought fit, to approve the Agreement and the transaction contemplated therein (including the allotment and issue of the Consideration Shares). As advised by the Company, the Vendor and its associates do not own or hold any Shares as at the Latest Practicable Date.

The Independent Board Committee, comprising Mr. Cheung Yu Yan, Tommy, Mr. Ip Shing Tong, Francis and Mr. Ku Siu Fung, Stephen, has been established to advise the Independent Shareholders as to whether the terms of the Second Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and whether the terms of the Second Acquisition is in the interest of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company and its Director(s). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company and the Director(s), for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Director(s) and have been confirmed by the Director(s) that no material facts and representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendation regarding the Second Acquisition.

BACKGROUND INFORMATION

First Acquisition

On 12 July 2007, the Board announced that on 29 June 2007, Top Harbour has entered into a sale and purchase agreement in respect of the First Acquisition to acquire the entire issued share capital of CEWH which is an investment holding company and whose principal asset is the holding of 50% equity interest in Seabuckthorn Company. The First Acquisition was completed on 13 November 2007.

LETTER FROM REXCAPITAL

The Seabuckthorn Group

As set out in the Letter, Seabuckthorn Company is currently held as to 50% by CEWH; as to 18% by 水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development*); as to 22% by 北京山合林水環境規劃設計中心 (Beijing Shan He Lin Environment Planning Design Centre*) and as to the balance of 10% by the Vendor.

The Seabuckthorn Group are principally engaged in the cultivation and sale of seabuckthorn seedlings, and processing, development, manufacturing and sale of seabuckthorn related food and health products and cosmetic products in the PRC, Hong Kong and other overseas markets. Further details of Seabuckthorn Group and Seabuckthorn have been set out under the section headed “**The Agreement**” in the Letter.

Set out below are the audited financial information of the Seabuckthorn Group as extracted from the circular dated 24 September 2007 issued by the Company in connection with the First Acquisition (the “First Circular”):

	Year ended 31 March	
	2006	2007
	RMB'000	RMB'000
Revenue	<u>9,582</u>	<u>5,609</u>
Operating profit before taxation	12,464	21,883
Taxation	<u>3,171</u>	<u>4,222</u>
Profit for the year attributable to		
– equity holders of Seabuckthorn Company	8,258	17,694
– minority interests	1,035	(33)
	<u>9,293</u>	<u>17,661</u>

The audited consolidated net assets attributable to equity holders of Seabuckthorn Company as at 31 March 2007 were approximately RMB61.4 million. According to the First Circular, the drop of turnover for the year 2007 was as a result of the more focusing on cultivation of seeds during the year.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Second Acquisition, we have taken into consideration the following factors and reasons:

Reasons for the Second 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.

As stated in the Letter, 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 First 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 is desirable to increase its equity interest holding in the Seabuckthorn Group through the Second Acquisition.

The Directors consider the Second Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable.

Having considered (i) the Second Acquisition provides opportunities to the Company to diversify its revenue sources; (ii) the Seabuckthorn Group has a solid existing sale as reflected by the revenue of the Seabuckthorn Group for the two years ended 31 March 2007; (iii) as stated in the Letter, the Seabuckthorn Group has a distribution network covers 11 provinces in the PRC, spanning over northern, northwestern, northeastern and central part of the PRC which could therefore enhance the sale and distribution network of the Group's products in northern part of the PRC; (iv) the profit-making track record of the Seabuckthorn Group for the two years ended 31 March 2007; and (v) the increasing in health awareness in the PRC after the severe acute respiratory syndrome (SARS) outbreak in 2003 and the avian flu epidemic in 2004, we agree with the view of the Directors as stated above and are of the opinion that the Second Acquisition is in the interests of the Company and its Shareholders as a whole.

Consideration for the Second Acquisition

The Consideration for the Second Acquisition is HK\$40 million and shall be satisfied by Top Harbour by procuring the Company to allot and issue the Consideration Shares to the Vendor, credit as fully paid, at the Issue Price of HK\$1.21 per Consideration Share.

As stated in the Letter, the Consideration was arrived at after arm's length negotiations between the parties and is equivalent to the proportionate consideration paid by the Group for the First Acquisition (i.e. HK\$200 million for a 50% effective interest in Seabuckthorn Company). As disclosed in the First Circular, the vendor under the First Acquisition guaranteed to Top Harbour that the audited consolidated net profit after tax and extraordinary or exceptional items of the CEWH Group (before deducting minority interests) will not be less than HK\$20 million for the year ending

LETTER FROM REXCAPITAL

31 March 2008 (the “Guaranteed Profit”). As such, the consideration for the First Acquisition and the Second Acquisition in aggregate of HK\$240 million represent a price/earnings multiple of 20 times on the Guaranteed Profit (the “Acquisition PER”). Taking into account the market potentials of the Seabuckthorn Group as demonstrated by the rapid growth in profits of the Seabuckthorn Group as described above, and the possible earnings contribution to the Group in future on the basis of the Guaranteed Profit, against the relatively stable earnings level of the Group, the Directors consider the Consideration to be fair and reasonable.

For analysis purposes, we have reviewed the price to earning ratios (the “PERs”) of comparable companies (the “Comparables”) being listed companies in various stock exchanges in the world based on criteria that (i) the Comparables are principally engaged in business on the vitamins and nutrition productions; and (ii) information on such Comparables must be available and from a reliable source. To the best of our knowledge, we have identified 6 Comparables by searching through available information in Reuters, and may not contain all listed companies which satisfied the above criteria. The PERs are based on their respective market capitalization determined in according to Reuters as at 6 December 2007, being the date of the Agreement, and their respective latest publicly available full year information available in Reuters. Shareholders should note that the PERs of the respective companies could be sensitive to, amongst other things, each of their particular businesses, financial position and market price performance of the shares of the respective companies and therefore, the PERs of the Comparables listed below are for information and reference purposes only.

Comparables	Stock code	Listing Location	PERs (times)
Shanghai Jiada Onlly Co. Ltd.	600530.SS	PRC	68.04
Huifeng Bio-pharmaceutical Technology Inc.	HFGB.OB	U.S.	35.33 (Note)
CK Life Sciences International Holdings Inc.	8222.HK	HK	29.52
Mingyuan Medicare Development Co. Ltd.	233.HK	HK	42
Maywufa Co. Ltd.	1731.TW	Taiwan	35.18
Chia Jei Technology Business Co. Ltd.	4109.TWO	Taiwan	18.77
		Range:	18.77 to 68.04
		Mean:	38.14

Sources: Reuters

Note: Trading in shares was suspended on 6 December 2007. Closing price on 3 December 2007, date immediately before suspension, was used for calculation purposes.

We note from the above table, the Acquisition PER of 20 times is within the PERs of the Comparables which ranged from 18.77 times to 68.04 times and below the mean PER of 38.14 times. We also note that the Acquisition PER is below the price to earning ratio of the Company of 31.25

LETTER FROM REXCAPITAL

based on the closing price of the Share on 6 December 2007. In addition, given the reasons for and benefits from the Second Acquisition as mentioned in the above section headed “**Reasons for the Second Acquisition**”, we are of the opinion that (i) the Consideration for the Second Acquisition is commercially acceptable to the Company and is fair and reasonable so far as the Independent Shareholders are concerned notwithstanding the Comparables may not represented the full population of the comparable companies; and (ii) the terms of the Second Acquisition are on normal commercial terms.

Basis of the Issue Price

As stated in the Letter, the Issue Price was determined after arm’s length negotiations between the parties with reference to the prevailing market price of the Shares. The Issue Price represents:

- (i) a premium of 10% over the closing price of HK\$1.10 per Share as quoted on the Stock Exchange on 6 December 2007 (the “Last Trading Day”), being the date of the Agreement and the last trading day of the Shares prior to the suspension of trading in the Shares on 7 December 2007 pending the release of the announcement in relation to the Agreement;
- (ii) a premium of approximately 5.4% over the average of the closing prices of HK\$1.148 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including Last Trading Day;
- (iii) a premium of approximately 3.5% over the average of the closing prices of HK\$1.169 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including Last Trading Day; and
- (iv) a premium of approximately 236.1% over the audited consolidated net assets of the Company of HK\$0.36 per Share as at 31 December, 2006.

As the Issue Price represent a premium of the prevailing market price of the Shares and the net asset value per Shares as at 31 December 2006, we consider the Issue Price is fair and reasonable and in the in interest of the Company and the Shareholders as a whole.

In addition, the Consideration Shares represent only approximately 4.81% of the existing issued share capital of the Company, and approximately 4.59% of the issued share capital of the Company as enlarged by the allot and issue of the Consideration Shares. As such, we consider that it is immaterial as compared to the total number of Shares issued and the dilution effect to existing Shareholders is therefore immaterial.

According to the basis as stated above, we are of the opinion that the basis of determining the Issue Price is fair and reasonable.

LETTER FROM REXCAPITAL

RECOMMENDATION

Taking into account the foregoing, we consider the terms of the Second Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We would therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Second Acquisition to be proposed at the EGM.

Yours faithfully,
For and on behalf of
REXCAPITAL (Hong Kong) Limited
Sam Lum
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

- (a) The authorised and issued and fully paid up share capital of the Company at the Latest Practicable Date is as follows:–

HK\$

Authorised:

<u>4,000,000,000</u> Shares	<u>40,000,000</u>
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Issued and fully paid:

<u>691,937,500</u> Shares	<u>6,919,375</u>
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- (b) The authorised and issued and fully paid up share capital of the Company upon issue of the Consideration Shares and assuming full conversion of the 2010 Convertible Bonds and the 2017 Convertible Bonds at their respective initial conversion price will be as follows:

Authorised: HK\$

<u>4,000,000,000</u> Shares	<u>40,000,000</u>
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Issued and fully paid: HK\$

<u>691,937,500</u> Shares	<u>6,919,375</u>
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33,057,852 Consideration Shares to be allotted and issued	330,578
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85,314,685 new Shares to be allotted and issued upon full conversion of the 2010 Convertible Bonds at its initial conversion price	853,146
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1,200,333,333 new Shares to be allotted and issued upon full conversion of the 2017 Convertible Bonds at its initial conversion price	12,003,333
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<u>2,010,643,370</u> Shares	<u>20,106,433</u>
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3. DISCLOSURE OF INTERESTS

A. Directors' interests and short positions in the securities of the company and its associated corporations

As at the Latest Practicable Date, the interests of the Directors and their associates in the Shares and underlying shares and debenture of the Company and its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Mr. KW But	Held by controlled corporation and beneficial interest (<i>Note</i>)	151,562,000	21.90%

Note: Among the 151,562,000 Shares, 151,250,000 Shares were held by Able Success Group Limited ("Able Success") which is wholly-owned by Mr. KW But, 312,000 Shares were held by Mr. KW But on his own capacity.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations as at the Latest Practicable Date.

B. Interests of substantial shareholders

As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholders had notified the Company of relevant interests in the issued share capital of the Company:

	Capacity		Percentage of the issued share capital of the Company
	Family interests	Corporate interests	
Substantial Shareholders:			
Able Success (<i>Note 1</i>)	–	151,250,000	21.86%
Sharp Profit Investments Limited (<i>Note 2</i>)	–	133,000,000	19.22%
Ms. Chan Yuk Ha (<i>Note 3</i>)	<u>151,250,000</u>	<u>–</u>	<u>21.86%</u>

All interest stated above represent long positions.

Notes:

- (1) Mr. KW But is deemed to be interested in these Shares through his wholly-owned interest in the issued share capital of Able Success.
- (2) Sharp Profit Investments Limited is a wholly-owned subsidiary of China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (stock code : 855). Sharp Profit Investments Limited is also the holder of the 2017 Convertible Bonds.
- (3) Ms. Chan Yuk Ha, the spouse of Mr. KW But, is deemed to be interested in the 151,250,000 Shares held by Able Success.

Saved as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

C. Others

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
REXCAPITAL	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

REXCAPITAL has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, REXCAPITAL was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which were, since 31 December 2006 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

5. LITIGATION AND CLAIMS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer with in one year without payment of compensation other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2006 (being the date to which the latest published audited consolidated accounts of the Group were made up).

8. MISCELLANEOUS

- (i) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Isalnds.

- (ii) The principal place of business of the Company is 2nd Floor, On Shing Industrial Building, Nos. 2-16 Wo Liu Hang Road, Fo Tan, Shatin, New Territories, Hong Kong.
- (iii) The principal share registrar and transfer office of the Company is Bank of Bermuda (Cayman) Limited, P.O. Box 513 GT, Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26th floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (v) The secretary and qualified accountant of the Company is Mr. Chong Ching Hei. Mr. Chong is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (vi) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at 2nd Floor, On Shing Industrial Building, Nos. 2-16 Wo Liu Hang Road, Fo Tan, Shatin, New Territories, Hong Kong during normal business hours on any weekdays other than public holidays up to and including Friday, 18 January 2008:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2005 and 2006 and the interim report of the Company for the period ended 30 June 2007;
- (iii) the Agreement;
- (iv) the letter addressed to the Independent Shareholders from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (v) the letter of advice from REXCAPITAL to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 21 of this circular; and
- (vi) the written consent as referred to in the paragraph headed "Expert and consent" in this appendix;
- (vii) a copy of each of the circulars of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 31 December 2006 (being the date to which the latest published audited consolidated financial statements of the Group were made up).



WAH YUEN HOLDINGS LIMITED
華園控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) of Wah Yuen Holdings Limited (the “**Company**”) will be held at 2nd Floor, On Shing Industrial Building, Nos. 2-16 Wo Liu Hang Road, Fo Tan, Shatin, New Territories, Hong Kong on Friday, 18 January 2008 at 10:00 a.m. to consider and, if thought fit, pass the following resolution with or without amendments, as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the sale and purchase agreement (the “**Agreement**”) as defined in the circular dated 31 December 2007 despatched to the shareholders of the Company (the “**Circular**”), copy of which have been produced to this meeting marked “A” and signed by the chairman hereof for the purpose of identification, and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement including but not limited to the allotment and issue of 33,057,852 ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Consideration Shares**”) and the transactions contemplated thereunder; and
- (c) the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Consideration Shares be and is hereby approved.

Yours faithfully
For and on behalf of
the board of Directors of
Wah Yuen Holdings Limited
But Ka Wai
Chairman

Hong Kong, 31 December 2007

NOTICE OF EGM

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

2nd Floor
On Shing Industrial Building
Nos. 2-16 Wo Liu Hang Road
Fo Tan, Shatin
New Territories
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's branch registrars and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.