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## THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, 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 in Wah Yuen Holdings Limited (the “**Company**”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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## WAH YUEN HOLDINGS LIMITED 華園控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 2349)

### DISCLOSEABLE TRANSACTION

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A letter from the board of directors of the Company is set out on pages 3 to 7 of this circular.

31 January 2008

\* for identification purpose only

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Appendix – General information</b> .....	8

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:*

“Board”	the board of Directors
“CEWH”	China Environmental Water Holdings Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“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
“Conseco”	高原聖果沙棘制品有限公司(Conseco Seabuckthorn Company Limited) <sup>#</sup> , a Sino-foreign equity joint venture established under the laws of the PRC, whose equity capital is currently held as to 50% by CEWH
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement dated 11 January 2008 and entered into among WYHP, WYF and Conseco with respect to the formation of Shenzhen JV
“KW But”	Mr. But Ka Wai, the chairman of the Board
“Latest Practicable Date”	29 January 2008, 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
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company

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## DEFINITIONS

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“Shareholders”	holders of the Shares
“Shenzhen JV”	深圳高原聖果生物科技有限公司(Shenzhen Conseco Seabuckthorn Company Limited) <sup>#</sup> , a joint venture to be established pursuant to the JV Agreement in Shenzhen, the PRC, the name of which is subject to the approval of the relevant authorities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Harbour”	Top Harbour Development Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company
“WYF”	Wah Yuen Foods Company Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company
“WYHP”	Wah Yuen Health Products Company Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

<sup>#</sup> *the English translations of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

*For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.95. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.*



**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*

Madam 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:*

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

2-16 Wo Liu Hang Road

Fo Tan, Shatin

New Territories

Hong Kong

31 January 2008

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSABLE TRANSACTION**

**INTRODUCTION**

The Board is pleased to announce that on 11 January 2008, the JV Agreement was entered into among Conseco, a non-wholly-owned subsidiary of the Company, WYHP, a wholly-owned subsidiary of the Company, and WYF, another wholly-owned subsidiary of the Company, pursuant to which Shenzhen JV would be established in Shenzhen, the PRC.

The formation of the Shenzhen JV constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further details regarding the JV Agreement and the Group.

\* for identification purpose only

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## LETTER FROM THE BOARD

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### THE JV AGREEMENT

**Date** : 11 January 2008

**Parties** : (i) Consec  
(ii) WYHP  
(iii) WYF

### Formation of joint venture company

The parties to the JV Agreement agreed that Shenzhen JV will be established in Shenzhen, the PRC and will be owned beneficially as to 60% by WYHP, as to 20% by WYF and as to 20% by Consec. Shenzhen JV will be engaged principally in cultivation of seabuckthorn seedlings, as well as manufacture, sale, research and development of seabuckthorn-related health products.

### Registered capital

The registered capital of Shenzhen JV will be RMB80,000,000 (equivalent to approximately HK\$84,210,000), of which RMB48,000,000 (equivalent to approximately HK\$50,526,000), RMB16,000,000 (equivalent to approximately HK\$16,842,000) and RMB16,000,000 (equivalent to approximately HK\$16,842,000) will be contributed by WYHP, WYF and Consec in cash respectively. The capital injection in the aforesaid proportion will be within 6 months after the business license of Shenzhen JV has been granted.

The Group intends to finance the capital contribution of WYHP, WYF and Consec to Shenzhen JV from its internal resources.

The total investment of Shenzhen JV is RMB80,000,000 (equivalent to about HK\$84,210,000) as mentioned in the JV Agreement. As such, there are no further capital commitments that are required to be contributed by the parties to the JV Agreement at this stage except for the contribution towards the registered capital set out above. If there is any further capital commitments to be put up by the parties to the JV Agreement, further announcement will be made as and when appropriate to comply with the requirements under the Listing Rules.

### Principal obligations of the parties to the JV Agreement

Each party to the JV Agreement shall be responsible for, among other matters, the following:

1. assisting in the application of the establishment and registration matters of Shenzhen JV;
2. assisting in the application for land-use rights, signing lease agreement(s) for factory premises and construction equipment;

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## LETTER FROM THE BOARD

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3. coordinating in the construction of the factory and other facilities of Shenzhen JV, and assisting Shenzhen JV in purchasing necessary machinery, raw materials, vehicles, communication device from overseas;
4. injecting its respective capital commitment into Shenzhen JV as mentioned in the above section “Registered capital”;
5. providing Shenzhen JV with technical staff, and assisting Shenzhen JV in hiring managerial staff, technical staff, workers and other personnel;
6. providing necessary training to the staff and workers of Shenzhen JV, and obtaining employment visas and other governmental approvals for staff of Shenzhen JV; and
7. handling other matters required by Shenzhen JV.

### **Duration**

The term of Shenzhen JV is 30 years from the day of issuance of its business license.

### **Board of directors of Shenzhen JV**

The board of directors of Shenzhen JV will comprise 5 directors, of which 3 will be appointed by WYHP, 1 will be appointed by WYF and 1 will be appointed by Conseco. The chairman of the Board of Shenzhen JV will be nominated by WYHP.

### **INFORMATION ON CONSECO**

Conseco is currently held as to 50% by CEWH, 18% by 水利部沙棘開發管理中心 (China National Administration Centre for Seabuckthorn Development<sup>#</sup>), 22% by 北京山合林水環境規劃設計中心 (Beijing Shan He Lin Environment Planning & Design Centre<sup>#</sup>) and as to the balance of 10% by 江海世紀投資管理 (北京) 有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.<sup>#</sup>) or by Top Harbour (upon completion of the proposed acquisition of 10% equity interest of Conseco by it). Apart from the fact that Top Harbour and 江海世紀投資管理 (北京) 有限公司 (Jiang Hai Century Investment Management (Beijing) Co., Ltd.<sup>#</sup>) had entered into a sale and purchase agreement in relation to acquisition of 10% equity interest of Conseco on 6 December 2007 (reference is made to the Company’s announcement dated 11 December 2007 and the Company’s circular dated 31 December 2007), there are no relationships among the shareholders of Conseco.

Conseco is principally engaged in 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

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## LETTER FROM THE BOARD

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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.

Conseco 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. Conseco 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 50,000 tons. The products manufactured by the Conseco 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.

### REASONS FOR THE JV AGREEMENT

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.

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 past financial results. The Directors consider that through the formation of Shenzhen JV, the Group will be able to explore the market of seabuckthorn related health products, thus diversifying its revenue and its profit base. The seabuckthorn related health products 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 product market is tremendous and consider it desirable to developing a base of its own for the development and manufacture of seabuckthorn related health products.

Shenzhen JV has not commenced operations yet and thus is unable to generate revenue for the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are entered into upon normal commercial terms following arm's length negotiations among the parties and that the terms of the JV Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT

Upon its formation, the accounts of Shenzhen JV will be consolidated with that of the Group. Given the prospects of Shenzhen JV, the Group expects that its earnings will be enhanced in future and its assets will thereby be increased.

### ADDITIONAL INFORMATION

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

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

## 1. RESPONSIBILITY STATEMENT

This document 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 document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. 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 following Directors had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	Total number of Shares held	Percentage of the issued share capital of the Company (%)
Mr. KW But	Held by controlled corporation and beneficial interest (Note)	151,562,000 (L)	21.90

(L) Long position

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 in his own name.

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) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

*(i) Substantial shareholders of the Company:*

Name of Shareholders	Nature of interest	Total number of Shares held	Percentage of the issued share capital of the Company (%)
Able Success <i>(Note 1)</i>	Corporate interest	151,250,000 (L)	21.86
Sharp Profit Investments Limited <i>(Note 2)</i>	Corporate interest	133,000,000 (L)	19.22
Ms. Chan Yuk Ha <i>(Note 3)</i>	Interest of spouse	151,562,000 (L)	21.90

*(L) Long position*

*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).
- (3) Ms. Chan Yuk Ha, the spouse of Mr. KW But, is deemed to be interested in the 151,562,000 Shares held by Mr. KW But.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interest or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the

Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### 3. DIRECTORS' 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 within one year without payment of compensation other than statutory compensation).

### 4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries had engaged in any litigation, arbitration or claim of material importance and there is no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

### 5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or, any other conflicts of interest within the Group.

### 6. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is located at 2nd Floor, On Shing Industrial Building, Nos. 2-16 Wo Liu Hang Road, Fo Tan, Shatin, New Territories, Hong Kong.
- (c) The principal branch share registrar and transfer office of the Company is Bank of Bermuda (Cayman) Limited at P.O. Box 513 GT, Strathvale House, North Church Street, George Town, Cayman Islands.
- (d) 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.
- (e) 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.
- (f) The English text of this circular shall prevail over their respective Chinese text in case of inconsistency.