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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

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

10 January 2008

* for identification purpose only

CONTENTS

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

DEFINITIONS

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

“Acquisition”	the acquisition made by Wah Yuen Health Products of the entire issued share capital of Lanke Biological
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day not being a Saturday, Sunday and statutory holiday in the PRC
“Company”	Wah Yuen Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Share Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB\$5,210,000 (equivalent to approximately HK\$5,484,210.53) payable by Wah Yuen Health Products for the Acquisition and to be satisfied by cash
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“Framework Agreement”	the framework agreement dated 13 November 2007 made between the Vendor and the Company relating to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any party and its ultimate beneficial owners who are third parties independent of the Company and its connected person
“Lanke Biological”	上海華源藍科生物制品營銷有限公司(Shanghai Worldbest Lanke Biological Product Sales Co. Ltd.#), a company established under the laws of the PRC, whose entire equity interest is currently held by the Vendor
“Latest Practicable Date”	7 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	上海華源藍科健康產品股份有限公司(Shanghai Worldbest Lanke Health Products Co. Ltd.#)
“Wah Yuen Health Products”	華園健康產品有限公司(Wah Yuen Health Products Limited#), a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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 RMB1.00 to HK\$0.95. 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 Sqaure

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

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business in Hong Kong:*

2nd Floor, On Shing Industrial Building

2-16 Wo Liu Hang Road

Fo Tan, Shatin

New Territories

Hong Kong

10 January 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 13 November 2007 in relation to the Framework Agreement and the announcement of the Company dated 19 December 2007 in which the Board announced that on 18 December 2007, Wah Yuen Health Products, a wholly owned subsidiary of the Company, has entered into the Share Acquisition Agreement for the Acquisition with the Vendor.

The Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

* for identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details regarding the Share Acquisition Agreement and the Group.

THE SHARE ACQUISITION AGREEMENT

Date: 18 December 2007

Parties: (1) 華園健康產品有限公司(Wah Yuen Health Products Limited#), as purchaser;

(2) 上海華源藍科健康產品股份有限公司(Shanghai Worldbest Lanke Health Products Co. Ltd#), as vendor.

The Vendor is principally engaged in the sale of health products in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

In addition, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no prior transaction (other than the Acquisition) between the Company and the Vendor and/or its ultimate beneficial owners which would require to be aggregated under Rule 14.22 of the Listing Rules.

Asset to be acquired

The asset to be acquired is the entire equity interest in Lanke Biological. As at the Latest Practicable Date and prior to the Completion, the entire registered and paid up capital of Lanke Biological is beneficially owned by the Vendor.

Conditions Precedent of the Share Acquisition Agreement

The Share Acquisition Agreement is subject to and conditional upon the fulfillment or waiver of the following conditions on or before 17 June 2008 (or such later date as shall be agreed between the Vendor and Wah Yuen Health Products):

- (a) the passing by the shareholders of Lanke Biological at a general meeting of Lanke Biological to be convened and held of an ordinary resolution to approve the Share Acquisition Agreement, the amendments to Lanke Biological's articles of association and the transactions contemplated hereunder;
- (b) the passing by the shareholders of the Vendor at a general meeting of the Vendor to be convened and held of an ordinary resolution to approve the Share Acquisition Agreement and the transactions contemplated hereunder;
- (c) the obtaining of valuation report prepared by a qualified valuer in form and substance satisfactory to Wah Yuen Health Products, to certify that the value of the equity interests of

LETTER FROM THE BOARD

Lanke Biological is more than or equivalent to RMB 5,210,000 (equivalent to approximately HK\$5,484,210.53), and such valuation report shall be approved by or registered with the relevant PRC authorities in accordance with the applicable PRC laws and regulations;

- (d) the warranties contained in the Share Acquisition Agreement remaining true and accurate in all respects; and
- (e) no material adverse change in relation to the financial position, repayment capacity, turnover, profitability, prospect or reputation of Lanke Biological since the date of the Share Acquisition Agreement to the Completion.

The Vendor shall use its best endeavour to procure the above conditions be fulfilled. Conditions (a) to (e) are capable of being waived by Wah Yuen Health Products by written consent either conditionally or unconditionally.

If any of the above conditions has not been fulfilled (or as the case may be, waived by Wah Yuen Health Products) on or before 17 June 2008, either Wah Yuen Health Products or the Vendor (save and except where the Vendor failed to use its best endeavour to procure the above conditions be fulfilled) may by writing notify the other party to the Share Acquisition Agreement that the Share Acquisition Agreement shall cease and determine and no party shall have any obligations and liabilities towards each other, save and except where the Vendor failed to use its best endeavour to procure the above conditions be fulfilled.

Completion of the Share Acquisition Agreement is to take place on the date falling fifteen (15) Business Days after fulfillment or waiver of the conditions referred to above.

Consideration

The total consideration for the Sale Shares is RMB 5,210,000 (equivalent to approximately HK\$5,484,210.53) to be satisfied by the Purchaser by:

- (1) paying of RMB2,000,000 (equivalent to approximately HK\$2,105,263.16) in cash as earnest money pursuant to the Framework Agreement, payment of which has been made on 10 December 2007;
- (2) paying RMB2,210,000 (equivalent to approximately HK\$2,326,315.79) in cash within ten (10) Business Days from the date of the Share Acquisition Agreement;
- (3) paying RMB1,000,000 (equivalent to approximately HK\$1,052,631.58) in cash within fifteen (15) Business Days from the Completion Date.

The consideration is to be funded by internal resources of the Group.

In addition, pursuant to the Share Acquisition Agreement, an aggregate sum of RMB10,000,000 will be injected by the Purchaser into Lanke Biological to enlarge its registered capital and as funds for further development of the existing business of Lanke Biological.

LETTER FROM THE BOARD

Taking into account the growth potentials of Lanke Biological as demonstrated by the rapid growth of its turnover, the extensive sale network currently in operation as described below, and the possible earning contribution to the Group in the future, against the relatively stable earnings level of the Group, the Directors consider the Consideration to be fair and reasonable so far as the Company and the Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

INFORMATION ON LANKE BIOLOGICAL

Lanke Biological is principally engaged in the sale of omega fatty acids related food, health products and cosmetic products in the PRC.

Omega fatty acids are recognized for their effectiveness in reducing the risk of coronary heart disease. By the increasing health awareness of people together with its strong sale and distribution networks in the PRC, Lanke Biological recorded a substantive growth in its turnover over the past two years, from approximately RMB11,000,000 (equivalent to approximately HK\$13,684,210.53) in December 2006 to RMB21,000,000 (equivalent to approximately HK\$24,210,526.32) in October 2007, representing a growth rate of approximately 90.91%. As at the Latest Practicable Date, Lanke Biological had approximately 300 retail outlets in operation with approximately 20,000 members in the PRC.

According to the unaudited consolidated financial statements of Lanke Biological prepared under the PRC accounting standard, for the year ended 31 December 2005, the net profit before and after taxation was approximately RMB191,700 (equivalent to approximately HK\$201,789.47) and approximately RMB188,352 (equivalent to approximately HK\$198,265.26) respectively. For the year ended 31 December 2006, the net profit before and after taxation was approximately RMB1,040,000 (equivalent to approximately HK\$1,094,736.84) and RMB770,000 (equivalent to approximately HK\$810,526.32) respectively. The net assets value of Lanke Biological was approximately RMB576,600 (equivalent to approximately HK\$606,947.37) and approximately RMB1,346,600 (equivalent to approximately HK\$1,416,842.11) as at 31 December 2005 and 31 December 2006 respectively.

LISTING RULES IMPLICATION

As the relevant percentage ratios as referred to in Chapter 14 of the Listing Rules for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

REASONS FOR THE TRANSACTIONS

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 holdings.

LETTER FROM THE BOARD

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 3 years ago. The Directors consider that through the Acquisition, the Group will be able to diversify its revenue and profit bases and to explore the sale and distribution network of Lanke Biological in the PRC. The product variety of Lanke Biological will also broaden the product mix of the Group. In view of the increasing health awareness of the population worldwide and given the potential of the health food product market is tremendous, the Directors consider it is desirable to acquire the entire equity capital in Lanke Biological and the terms of the Share Acquisition Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT

Upon completion of the Acquisition, the accounts of Lanke Biological will be consolidated with that of the Group. Given the earning ability and prospects of Lanke Biological, the Group's assets and liabilities will thereby be increased by approximately HK\$10,252,947.21 and HK\$7,026,737 respectively and the Group expects its earnings will be enhanced as a result of the Acquisition.

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 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:

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 (Note 1)	Corporate interests	151,250,000 (L)	21.86
Sharp Profit Investments Limited (Note 2)	Corporate interest	133,000,000 (L)	19.22
Ms. Chan Yuk Ha (Note 3)	Family interest	151,250,000 (L)	21.86

(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). 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.

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. 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).

7. 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 and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.