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If you have sold or transferred all your shares in China Botanic Development 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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中國植物開發控股有限公司

CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED
(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 6 of this circular.

12 September 2008

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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 Seabuckthorn Shenzhen of the entire equity interest of Guangdong Kangli
“Acquisition Agreement”	the sale and purchase agreement dated 18 August 2008 entered into between the Vendor and Seabuckthorn Shenzhen in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Botanic Development Holdings Limited (formerly known as 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 Acquisition Agreement
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB\$23,600,000 (equivalent to approximately HK\$27,126,437) payable by Seabuckthorn Shenzhen for the Acquisition and to be satisfied in the manner described in this circular
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“Group”	the Company and its subsidiaries
“Guangdong Kangli”	廣東康力醫藥有限公司 (Guangdong Kangli Pharmaceutical Company Limited*), a wholly-foreign own enterprise, established under the laws of the PRC, whose entire equity interest is currently held by the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any party and its ultimate beneficial owners who are third parties independent of the Company and its connected person

* *for identification purpose only*

DEFINITIONS

“License”	the direct sale license regarding direct sales of health products and equipments directly owned by Guangdong Kangli
“Latest Practicable Date”	11 September 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, which for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Seabuckthorn Shenzhen”	深圳高原聖果生物科技有限公司 (Shenzhen Conseco Seabuckthorn Biotechnology Company Limited*), a wholly-owned subsidiary of the Company incorporated in the PRC with limited liability
“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
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Hui Ching Yu (許灝予), a Hong Kong citizen, an Independent Third Party
“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\$0.87. 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.

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LETTER FROM THE BOARD



中國植物開發控股有限公司

CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED

(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*)

Mr. Ying Wei

Ms. Gao Jihong

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Non-executive Directors:

Madam Leung Wai Ling

Mr. Ngai Chun Kong, Stephen

Ms. Wang Fang

*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

Independent non-executive Directors:

Mr. Cheung Yu Yan, Tommy

Mr. Ip Shing Tong, Francis

Mr. Ku Siu Fung, Stephen

Mr. Chen Ziqiang

12 September 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

The Board is pleased to announce that on 18 August 2008, the Acquisition Agreement was entered into between Seabuckthorn Shenzhen, a wholly-owned subsidiary of the Company, and the Vendor, an Independent Third Party, pursuant to which the Vendor agreed to sale and the Purchaser agreed to purchase the entire equity interest of Guangdong Kangli for an aggregate consideration of RMB23,600,000 (equivalent to approximately HK\$27,126,437). The Acquisition Agreement became effective on 20 August 2008 as agreed by the parties.

LETTER FROM THE BOARD

The Acquisition 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 Acquisition Agreement and the transaction contemplated thereunder and the Group.

THE ACQUISITION AGREEMENT

Date: 18 August 2008 (becoming effective on 20 August 2008 as agreed by the parties)

Parties:

Purchaser: 深圳高原聖果生物科技有限公司 (Shenzhen Conseco Seabuckthorn Biotechnology Company Limited*), a wholly-owned subsidiary of the Company

Vendor : Hui Ching Yu (許瀨予)

The Vendor is a Hong Kong citizen. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, there is no prior transaction (other than the Acquisition) between the Company and the Vendor which would required to be aggregated under Rule 14.22 of the Listing Rules.

Assets to be acquired

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

Consideration

The total consideration for the Sale Shares is RMB23,600,000 (equivalent to approximately HK\$27,126,437) to be satisfied by the Purchaser in cash by transferring into the designated account of the Vendor upon completion.

The Group intends to finance the Consideration payable by the Purchaser from its internal resources. The Consideration was arrived at after arms length negotiation between the parties and with reference to the costs, difficulties and time consumed for obtaining a direct sales license issued by the Ministry of Commerce of the PRC (中國商務部) ("MOC"), including but not limited to (i) payment of costs such as marketing and promotion costs, costs for obtaining approval for direct sales of particular products, costs for establishing direct sales points, costs for obtaining the retail sales approval for different province, logistic approval and e-commerce sales approval which in aggregate amount to approximately RMB26,000,000 (equivalent to approximately HK\$29,885,057); (ii) complete the sales point checking procedures; and (iii) obtaining other approvals necessary to carry on the direct sales business, e.g. the retail sales approval for different provinces, logistic approval and e-commerce sales approval.

* for identification purpose only

LETTER FROM THE BOARD

Further, taking into account the growth potentials of Guangdong Kangli, the extensive sale network currently in operation, and the possible earning contribution to the Group in the future, 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 Guangdong Kangli

Guangdong Kangli is a company established in the PRC with registered capital of RMB80,000,000 (equivalent to approximately HK\$91,954,023), the entire equity interest is owned by the Vendor. It is principally engaged in direct sales of medicine, health care products and equipments in the PRC. Guangdong Kangli is the holder of the License dated 8 January 2007 issued by Ministry of Commerce of the PRC (中國商務部), which mainly covers the direct sales of health care products and equipments in Shenzhen. The scope of the License mainly covers the direct sales of health care products and equipments. Further Guangdong Kangli has also been appointed as the one of the first eight companies engaging in pharmaceutical e-commerce selling on the internet by State Food and Drug Administration(國家藥品監督管理局).

According to the unaudited consolidated financial statements of Guangdong Kangli prepared under the PRC accounting standard, for the year ended 31 December 2006, the net loss before and after taxation was approximately RMB2,821,500 (equivalent to approximately HK\$3,243,103) and approximately RMB2,821,500 (equivalent to approximately HK\$3,243,103) respectively. For the year ended 31 December 2007, the net loss before and after taxation was approximately RMB10,061,300 (equivalent to approximately HK\$11,564,713) and RMB10,061,300 (equivalent to approximately HK\$11,564,713) respectively. The net assets value of Guangdong Kangli was approximately RMB64,191,600 (equivalent to approximately HK\$73,783,448) and approximately RMB51,313,100 (equivalent to approximately HK\$58,980,575) as at 31 December 2006 and 31 December 2007 respectively.

Upon Completion Guangdong Kangli shall become an indirect wholly-owned subsidiary of the Company and its accounts will be consolidated into the Group's accounts as subsidiary of the Company.

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. The Group is also engaged in seabuckthorn seedlings, manufacturing and sale of seabuckthorn related health products in the PRC.

LETTER FROM THE BOARD

The Group considered that after extended its business to the market of seabuckthorn related health products, thus diversifying its revenue and its profit based, the Group also intended to seek a direct sales of health food products in the market of the PRC. In view of the increasing health awareness of the population worldwide, including the PRC, the Directors believe that in addition to the development and manufacture of seabuckthorn related health products, the Acquisition provides the Group with great opportunity to be able to emerge to the direct sales business of health products in the PRC, and provides vertical integration effect. According to the opinion of the PRC lawyer of the Company, in order to be registered as a company involving in direct sales, the registered paid up capital of that company should be not less than RMB80,000,000 (equivalent to approximately HK\$91,954,623). As at the Latest Practicable Date, according to statistic in the website of Administration of Industry and Commerce of the PRC, there are only 20 companies in the PRC obtained the direct sales license and completed the sales point checking procedures. Given that it is difficult for a company in the PRC to obtain the License, the Group considers that it is more cost effective to acquire a company with an already granted License.

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

FINANCIAL EFFECT

Upon Completion, the accounts of Guangdong Kangli will be consolidated with that of the Group. Given the prospects of Guangdong Kangli, 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
China Botanic Development 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 <i>(Note)</i>	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)	Beneficial interest	151,250,000 (L)	21.85
Sharp Profit Investments Limited (Note 2)	Beneficial interest	133,000,000 (L)	19.22
Good Outlook Investments Limited (Note 3)	Beneficial interest	1,200,333,333(L)	173.47
China Water Affairs Group Limited (Note 2 and 3)	Held by controlled corporation	1,333,333,333(L)	192.70
Ms. Chan Yuk Ha (Note 4)	Interest of spouse	151,562,000(L)	21.90
BOCI Financial Products Limited (Note 5 and 6)	Beneficial interest	9,148,000(L)	1.32
	Beneficial interest	2,000,000(S)	0.29
Bank of China Limited (Note 5 and 6)	Beneficial interest	59,090,909(L)	8.54
	Held by controlled corporation	68,238,909(L)	9.86
		2,000,000(S)	0.29

(L) Long position

(S) Short position

Notes:

- (1) Mr. But Ka Wai 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) the convertible bonds with the right to convert up to 1,200,333,333 Shares at an initial conversion price of HK\$0.15 each were issued to Good Outlook Investments Limited, a wholly owned subsidiary of China Water Affairs Group Limited.
- (4) Ms. Chan Yuk Ha, the spouse of Mr. But Ka Wai, is deemed to be interested in the 151,562,000 Shares held by Mr. But Ka Wai.
- (5) The 11,148,000 Shares are held by BOCI Financial Products Limited, a wholly owned subsidiary of Bank of China Limited
- (6) The convertible bonds with the right to convert into 59,090,909 shares at an initial conversion price of HK\$1.43 each were issued to BOCI Financial Products Limited, a wholly owned subsidiary of Bank of China Limited.

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 qualified accountant and secretary of the Company are Mr. Chong Ching Hei and Mr. Chui Wing Fai respectively, both of them are 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.