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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 a 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 Pak Fah Yeow International Limited, 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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PAK FAH YEOW INTERNATIONAL LIMITED

白花油國際有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code : 239)

DISCLOSEABLE TRANSACTION

ACQUISITION OF PROPERTY

* For identification purposes only

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Property pursuant to the Agreement by the Purchaser from the Vendor selling as confirmor;
“Agreement”	the preliminary agreement dated 4th March, 2005 entered into between the Vendor and the Purchaser for the sale and purchase of the Property;
“Board”	the board of Directors;
“Company”	Pak Fah Yeow International Limited (白花油國際有限公司 [*]), a company incorporated in Bermuda with limited liability which shares are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Independent Third Party”	a third party independent of the Company and its connected persons (as defined in the Listing Rules);
“Latest Practicable Date”	6th April, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in the circular;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Property”	11th Floor, The Sun’s Group Centre, No. 200 Gloucester Road, Hong Kong;
“Purchaser”	Pak Fah Yeow Investment (Hong Kong) Co. Ltd., a company incorporated in Hong Kong and an indirectly wholly-owned subsidiary of the Company;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vendor”	Hong Kong Jie Hing Trading Company Limited, the ultimate beneficial owners of which are, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Independent Third Parties, being the vendor selling the Property as confirmor.

LETTER FROM THE BOARD



PAK FAH YEOW INTERNATIONAL LIMITED

白花油國際有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code : 239)

Directors:

GAN Wee Sean (*Chairman*)

GAN Fock Wai, Stephen

Chiu Siu Kuen

Robert Kwan Chiu Yin**

Ada Wong Ying Kay**

Arnold Ip Tin Chee**

** *Independent non-executive Directors*

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business in

Hong Kong:

7th Floor, Lippo Leighton Tower

103 Leighton Road

Causeway Bay

Hong Kong

8th April, 2005

To the shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF PROPERTY

INTRODUCTION

In an announcement of the Company dated 17th March, 2005 published on 18th March, 2005, the Directors announced that Pak Fah Yeow Investment (Hong Kong) Co. Ltd., an indirectly wholly-owned subsidiary of the Company, had entered into the Agreement with the Vendor for the sale and purchase of the Property.

The purpose of this circular is to give you further information regarding the Acquisition which constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

* *For identification purposes only*

LETTER FROM THE BOARD

THE AGREEMENT

Date

4th March, 2005

Parties

- (1) Vendor : Hong Kong Jie Hing Trading Company Limited, which is selling the Property as a confirmor. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.
- (2) Purchaser : Pak Fah Yeow Investment (Hong Kong) Co. Ltd., an indirectly wholly-owned subsidiary of the Company.

The Vendor is selling the Property as confirmor and the Agreement is subject to the terms and conditions of (i) the formal agreement dated 29th December, 2004 under which the Property was previously sold at HK\$32,380,000; and (ii) the provisional agreement dated 9th December, 2004 under which the Property was previously sold at HK\$36,053,440. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the respective parties to the aforementioned formal agreement and provisional agreement, and their respective ultimate beneficial owners, is an Independent Third Party.

Asset to be acquired

A property situated at 11th Floor, The Sun's Group Centre, No. 200 Gloucester Road, Hong Kong with a total gross floor area of approximately 7,388 square feet. The Property is located in an office/commercial building. Upon completion, the Vendor shall deliver vacant possession of the Property to the Purchaser.

The solicitors of the Vendor have informed that, as the Vendor has been selling the Property as a confirmor, it had no knowledge of the use of the Property in the past two years and that the Vendor has not derived any revenues or net profits attributable to the Property for the past two years.

Consideration

The consideration of HK\$39,156,400 was agreed after arm's length negotiations between the parties by reference to the transaction prices of similar properties in the same location as provided by the property agent of the Purchaser. No valuation of the Property has been done by the Purchaser.

LETTER FROM THE BOARD

Terms of payment

The consideration shall be paid in cash by the Purchaser in the following manner:

- (1) an initial deposit of HK\$1,900,000 has been paid by the Purchaser to the Vendor's solicitors as stakeholder upon signing of the Agreement;
- (2) a further deposit of HK\$2,015,640 has been paid by the Purchaser to the Vendor's solicitors as stakeholder on 16th March, 2005; and
- (3) the balance of the consideration of HK\$35,240,760 will be payable upon completion of the sale and purchase of the Property on or before 28th April, 2005.

As at the Latest Practicable Date, the parties were still negotiating the final terms of the formal agreement for the sale and purchase of the Property, in relation to, among others, the detailed arrangements in respect of the completion of the Agreement. Further announcement will be made by the Company in the event that there is any change to the major terms of the Acquisition or the completion of the Acquisition is not effected by 28th April, 2005.

Condition to completion

Completion of the sale and purchase of the Property is conditional upon compliance by the Purchaser and its holding company with all relevant laws and regulations, including but not limited to the Listing Rules. If any of such laws and regulations are not complied with by the Purchaser or its holding company on or before 16th March, 2005 (or such later date as the Vendor and the Purchaser may agree), the Agreement and the sale and purchase of the Property thereunder shall become null and void and have no further effect and the deposit and all other monies paid under the Agreement shall forthwith upon demand by the Purchaser be refunded by the Vendor to the Purchaser, but without any interest cost or compensation and neither the Vendor nor the Purchaser shall have any other claim against each other. The condition may be waived by the Purchaser in writing.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It is the intention of the Group to acquire the Property for self-use. After completion, the Property is intended to be used as the Group's principal place of business in Hong Kong which will provide a more spacious meeting area and office for smooth and efficient operation of the Group.

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders and the Company as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition will be funded by a combination of (i) approximately 30 per cent. from internal resources of the Group, which shall decrease the current assets of the Group; and (ii) approximately 70 per cent. from bank financing, which shall increase the non-current liabilities of the Group. The completion of the Acquisition shall increase the non-current assets of the Group.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND THE VENDOR

The principal business activities of the Group are manufacturing and sales of Hoe Hin Brand of products, other healthcare goods and property investment.

The solicitors of the Vendor have informed that the principal business activities of the Vendor was trading business.

DISCLOSEABLE TRANSACTION

The transaction contemplated under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

Yours faithfully,
By order of the Board of
Pak Fah Yeow International Limited
Gan Wee Sean
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular 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 DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions held by the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in shares of the Company

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	Percentage
Mr. Gan Wee Sean	11,436,800	991,900 <i>(Note 1)</i>	27,218,100 <i>(Note 2)</i>	39,646,800	30.5%
Mr. Gan Fock Wai, Stephen	4,313,700	–	26,053,300 <i>(Note 3)</i>	30,367,000	23.4%

(2) Long positions in non-voting deferred shares of associated corporations

(a) Hoe Hin Pak Fah Yeow Manufactory, Limited

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	Percentage
Mr. Gan Wee Sean	8,600	800 <i>(Note 1)</i>	–	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%

(b) Pak Fah Yeow Investment (Hong Kong) Company, Limited

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	Percentage
Mr. Gan Wee Sean	8,244,445	711,111 (Note 1)	–	8,955,556	42.2%
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 991,900 shares of the Company, 800 non-voting deferred shares of Hoe Hin Pak Fah Yeow Manufactory, Limited and 711,111 non-voting deferred shares of Pak Fah Yeow Investment (Hong Kong) Company, Limited.
2. These 27,218,100 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim.
3. These 26,053,300 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 32 percent.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company and the respective companies controlled by them whose interests have been disclosed above) who had an interest or short position 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 who was interested, directly or indirectly, 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 members of the Group, or any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, save as mentioned below, no member of the Group was engaged in any litigation, arbitration or other proceedings of material importance and, so far as was known to the Directors, no litigation or claims of material importance were pending or threatened by or against any member of the Group.

During the year ended 31st December, 2003, the Group made a claim against a company in the United States (“US”) and others for, among others, damages (amount to be determined by the Court) in respect of “White Flower” trade mark infringement, trade dress infringement and trademark dilution. However, a counterclaim was filed against the Group by the same companies for, among others, damages (amount to be determined by the Court) in respect of the loss of reputation as a result of allegedly defamatory information provided by the Group to a magazine in Hong Kong. As at the Latest Practicable Date, the litigation is still outstanding. No provision in respect of the claims has been made in the financial statements as at 31st December, 2003 and 30th June, 2004.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

7. GENERAL

- (a) The secretary of the Company is Mr. Lo Tai On who is a member of the Hong Kong Institute of Certified Public Accountants and has over 20 years of experience in the company secretarial field.
- (b) The qualified accountant of the Company is Mr. Chow Kar Ming, Donald who is a Certified Practising Accountant (Aust.) of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The head office and principal place of business of the Company is located on 7th Floor, Lippo Leighton Road, 103 Leighton Road, Causeway Bay, Hong Kong.
- (e) The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.