
IMPORTANT

If you are in doubt about 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 Vital BioTech Holdings Limited you should at once hand this circular to the purchaser or the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, for which the directors (“Directors”) of Vital BioTech Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



維奧生物科技控股有限公司
Vital BioTech Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

**GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES**

The notice convening the annual general meeting of the Company to be held at Chater Room III & IV, Basement 1, The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong, on Monday, 22nd April, 2002 at 10:00 a.m. is set out in the 2001 Annual Report.

This circular will remain on the GEM website at www.hkgem.com the “Latest Company Announcements” page for 7 days from the date of its posting.

22nd March, 2002

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

“2001 Annual Report”	the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended 31st December, 2001;
“AGM”	the annual general meeting of the Company to be held at Chater Room III & IV, Basement 1, The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong, on Monday, 22nd April, 2002 at 10:00 a.m. at which the 2001 Annual Report will be adopted;
“Company”	Vital BioTech Holdings Limited;
“Directors”	directors of the Company;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities of GEM;
“Issue Mandate”	the general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the resolution approving the Issue Mandate;
“Latest Practicable Date”	22nd March, 2002, being the latest practicable date prior to the printing of this circular;
“Repurchase Mandate”	the general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the resolution approving the Repurchase Mandate;
“Shareholders”	holders of Shares;
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Takeover Code”	the Code on Takeovers and Mergers approved by the Commission as amended from time to time.



維奧生物科技控股有限公司
Vital BioTech Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Directors:

Mr. Ko Sai Ying, Thomas (*Chairman*)
Mr. Au Yeung Ping Yuen, Terence
Mr. Liu Jin, James
Mr. Tao Lung
Mr. Lee Kwong Yiu*
Mr. Lo Wa Kei*

* *Independent Non-Executive Directors*

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayma
Cayman Islands
British West Indies

Head Office and Principal

Place of Business:
Units 1001 and 1002
10th Floor
Kwai Hung Holdings Center
No. 89 King's Road
Hong Kong

22nd March, 2002

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES**

INTRODUCTION

It is proposed that at the AGM of the Company for the year ended 31st December, 2001, resolutions will be proposed to grant to the Directors general mandates to repurchase and issue Shares, and extend general mandate to issue Shares of the Company. This circular contains the explanatory statement in compliance with the GEM Listing Rules and gives all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions to approve the Company to repurchase and issue its own Shares.

LETTER FROM THE CHAIRMAN

A form of proxy for the AGM is enclosed with the 2001 Annual Report. Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy and return it to the principal place of business in Hong Kong as stated in this notice and the Proxy Form of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will be proposed to grant the Repurchase Mandate to the Directors to enable them to repurchase shares subject to the criteria set out in this circular. Shareholders should note that the maximum number of shares that may be repurchased up to 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of such resolution. The Repurchase Mandate to repurchase shares will remain in effect until whichever is the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held by law and the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution will be proposed to grant the Issue Mandate to the Directors to allot, issue and deal with, otherwise than by way of rights or any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company or any shares of the Company issued as scrip dividends pursuant to the bye-laws of the Company. Shares with an aggregate nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue on the date of the resolution approving the shares issue mandate. The Issue Mandate to issue shares will remain in effect until whichever is the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held by law and the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

EXTEND GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution will be proposed that the Issue Mandate will be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount will not exceed 10% of the aggregate of the total nominal value of the issued share capital of the Company in issue on the date of the resolution approving the Issue Mandate.

RECOMMENDATION

The directors consider that the Repurchase Mandate, the Issue Mandate and the extension of the Issue Mandate are in the best interests of the Company and its Shareholders so recommend you to vote in favour of the resolutions at the forthcoming AGM. The directors will vote all their shareholdings in favour of the resolutions.

Yours faithfully,
Ko Sai Ying, Thomas
Chairman

EXPLANATORY STATEMENT

The following explanatory statement given to all Shareholders relating to a resolution to be proposed at the forthcoming AGM authorising the Repurchase Mandate.

1. EXERCISE OF THE REPURCHASE MANDATE

Exercise in full of the Repurchase Mandate, on the basis of 1,200,000,000 Shares in issue as at the Latest Practicable Date, could accordingly result in up to 120,000,000 Shares being repurchased by the Company during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

2. REASONS FOR REPURCHASES

The directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net assets value of the Company and/or earnings per Share.

3. GENERAL

As compared with the financial position of the Company as at 31st December, 2001 (being the date of its latest audited accounts), the directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. No purchase would be made in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

4. FUNDING OF REPURCHASES

The Company is empowered by its memorandum of association and bye-laws to purchase its Shares. The Cayman Islands law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the profits that would otherwise be available for distribution by way of dividend or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of the fund of the Company that would otherwise be legally available for dividend or distribution or out of the share premium accounts of the Company for such purpose under the laws of the Cayman Islands. Under the Cayman Islands law, the shares so repurchased will be treated as cancelled but the aggregate amount of authorized share capital will not be reduced so that the shares may be subsequently re-issued.

5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the directors nor, to the best of the knowledge and belief of the directors having made all reasonable enquiries, any of the associates (as defined in the GEM Listing Rules) of any of the directors has any present intention, in the event that the proposal is approved by shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of Shares held by him/her to the Company in the event that the Company is authorised to make purchases of Shares.

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the proposed resolution in accordance with the Listing Rules of the GEM and all applicable laws of the Cayman Islands, and in accordance with the regulations set out in the memorandum of association and bye-laws of the Company.

7. EFFECT OF TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Perfect Develop Holding Inc. (whose shareholders are Mr. Tao Lung, Mr. Ko Sai Ying, Thomas, Mr. Au Yeung Ping Yuen, Terence and Mr. Liu Jin, James) who held approximately 51% of the issued share capital of the Company, and Mr. Tao Lung who held approximately 59.61% of the issued share capital of the Company, were the substantial shareholders holding more than 10% of the issued share capital of the Company. In the event that the Directors should exercise in full power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholdings of Perfect Develop Holding Inc and Mr. Tao Lung in the Company would be increased to approximately 56.6% and 66.2% respectively of the issued share capital of the Company and such increase would not be give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. The Company may not purchase Shares on the GEM if that purchase would result in the number of Shares which are in the hands of the public falling below 25% of the Company's issued share capital.

8. SHARE PURCHASE MADE BY THE COMPANY

During each of six months preceding the date of this circular, no Shares have been repurchased by the Company.

EXPLANATORY STATEMENT

9. SHARE PRICES

During the previous twelve months, the highest and lowest traded prices for Shares on the GEM were as follows:

Months	PER SHARE	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
April	Nil	Nil
May	Nil	Nil
June	Nil	Nil
July	Nil	Nil
August	Nil	Nil
September	Nil	Nil
October	Nil	Nil
November	Nil	Nil
December	Nil	Nil
2002		
January	Nil	Nil
February	0.47	0.37
March	0.41	0.38