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Vital BioTech Holdings Limited

維奧生物科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING
ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
WAIVER OF MINIMUM NOTICE PERIOD
IN RESPECT OF THE PROPOSED WITHDRAWAL,
PROPOSED ALTERATIONS TO THE ARTICLES OF ASSOCIATION,
PROPOSED TERMINATION OF THE SHARE OPTION SCHEME,
PROPOSED ADOPTION OF
THE PROPOSED SHARE OPTION SCHEME
AND GENERAL MANDATES TO ISSUE SECURITIES AND
REPURCHASE SHARES**

Financial adviser to Vital BioTech Holdings Limited



Core Pacific – Yamaichi Capital Limited

The Company is proposing to list the Shares on the Main Board by way of Introduction. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn. In connection with the Introduction, the Company proposes to alter the Articles of Association, to terminate the Share Option Scheme, to adopt the Proposed Share Option Scheme and to grant to the Directors the general mandates to issue securities and repurchase Shares. A circular containing, amongst other matters, a notice of the Extraordinary General Meeting has been despatched to the Shareholders on 30 June 2003. A listing document in connection with the Introduction has also been despatched to the Shareholders, for information purposes only, on 30 June 2003.

Warning:

There is no assurance that permission will be obtained from the Stock Exchange for the Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Withdrawal and the Introduction are subject to the conditions set out below being fulfilled and thus may or may not become effective. Accordingly, the Proposed Withdrawal and the Introduction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 21 March 2003, the Directors announced that CPY had submitted on behalf of the Company an advance booking form to the Stock Exchange for the proposed listing of the Shares on the Main Board by way of Introduction and informed the Stock Exchange of its intention to voluntarily withdraw the listing of the Shares on GEM subject to the conditions set out below.

In connection with the Proposed Withdrawal and the Introduction, the Board proposes to seek the approval of the Shareholders of the relevant resolutions relating to the Proposed Withdrawal, the reduction of the notice period for the Proposed Withdrawal, the alterations to the Articles of Association, the termination of the Share Option Scheme, the adoption of the Proposed Share Option Scheme and the granting of the general mandates to issue securities and repurchase Shares. A circular containing, amongst other matters, a notice of the Extraordinary General Meeting has been despatched to the Shareholders on 30 June 2003. A listing document in connection with the Introduction has also been despatched to the Shareholders, for information purposes only, on 30 June 2003.

THE PROPOSED WITHDRAWAL AND THE INTRODUCTION

The Proposed Withdrawal and the Introduction will be conditional upon, amongst other matters:

- (i) the passing of an ordinary resolution by the Shareholders at the Extraordinary General Meeting to approve the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal;
- (ii) the publication of a notice of the Proposed Withdrawal after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained at the Extraordinary General Meeting which notice period shall not be less than five clear Business Days before the Effective Date;
- (iii) the Listing Committee of the Stock Exchange granting approval of the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which were granted under the Share Option Scheme or which may be granted under the Proposed Share Option Scheme; and
- (iv) the GEM Listing Committee granting a waiver for the reduction of the notice period for the Proposed Withdrawal.

Under the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:

- (i) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and
- (ii) the issuer has given its shareholders at least three months' notice of the proposed withdrawal of listing commencing from the date on which the shareholders approve the voluntary withdrawal of listing.

In connection with the Proposed Withdrawal, the Company has applied to the Stock Exchange on 21 March 2003 for, and the Stock Exchange has granted, a waiver for the minimum three months' notice required under the GEM Listing Rules, subject to the fulfillment of the following conditions:

- (i) the notice period for the Proposed Withdrawal shall be a minimum period of five clear Business Days after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained;
- (ii) the prior approval of the Shareholders for the reduction of notice period for the Proposed Withdrawal to a minimum period of five clear Business Days shall have been obtained;
- (iii) in respect of the Shares, there is no change in the board lot size or share certificates, the share registrars and the trading currency in connection with the proposal to transfer its listing status; and
- (iv) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

Accordingly, the Extraordinary General Meeting is convened to seek the approval of the Shareholders for, amongst other matters, the Proposed Withdrawal and the reduction of notice period for the Proposed Withdrawal.

The Directors consider that it is in the best interest of the Shareholders as a whole that such notice period be reduced so that the Proposed Withdrawal and the Introduction can be carried out as soon as practicable after obtaining relevant approvals from the Shareholders to minimise market uncertainties (if any) during the prescribed notice period.

Effects of the Proposed Withdrawal

It is expected that dealings in the Shares on GEM will cease at 9:30 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will make further announcement after the Extraordinary General Meeting to publish the results of the Extraordinary General Meeting, the information relating to the Proposed Withdrawal and the trading arrangement of the Shares in respect of the Proposed Withdrawal and the Introduction.

The Proposed Withdrawal and the Introduction will not have any effect on the existing share certificates and such share certificates will continue to be good evidence of legal title. In addition, the Proposed Withdrawal and the Introduction will not involve any transfer or exchange of the existing share certificates. No change is proposed to be made to the board lot size, the trading currency of the Shares and the share registrars of the Company in connection with the Proposed Withdrawal and the Introduction. Shares will continue to be traded in board lots of 5,000 Shares each following the Introduction. If and when the Shares are listed on the Main Board, you may be required to sign a new client agreement with your stockbrokers.

The continuing obligations of listed issuers under the Listing Rules and the GEM Listing Rules are not the same. For example, the principal means of information dissemination by listed issuers on GEM is via the publication on the internet website operated by the Stock Exchange whereas the principal means of information dissemination for listed issuers on the Main Board is through newspapers. In addition, listed issuers on the Main Board are not required to publish quarterly reports.

Upon the listing of the Shares on the Main Board, the Company will comply with all the disclosure requirements of the Listing Rules and will make all disclosures as required by the Listing Rules. Although the Listing Rules presently do not require the publication of quarterly reports, the Company intends to continue to publish quarterly reports on a voluntary basis.

Reasons for the Proposed Withdrawal and the Introduction

The Group is a fully integrated, multinational biopharmaceutical corporation engaged in the research, development, manufacture, sale and distribution of biopharmaceutical and conventional pharmaceutical products. Currently, the Group has business operations in Australia, Hong Kong, Macao and the PRC. With its research and development focus on downstream value adding biotechnology processing systems, the Group develops protein stabilisation and various drug delivery technologies which may be adapted to a wide range of applications. In addition, the Group manufactures pharmaceutical products and distributes such products through its extensive distribution network in the PRC. This has provided the Group with a steady income stream during the three years ended 31 December 2002.

Since the listing of the Shares on GEM on 7 February 2002, the Group has sustained a considerable growth in business and substantial increase in public recognition. The Directors consider that the listing of the Shares on the Main Board will enable the Group to gain further recognition from investing public, in particular, large scale institutional investors.

The Introduction will not materially affect the current business objectives and strategies of the Group. The Group will continue with its present business operations and will continue to pursue its business objectives as stated in the prospectus of the Company dated 30 January 2002.

In view of the above, the Directors consider that the listing of the Shares on the Main Board can further increase the profile and recognition of the Group and will be beneficial and complimentary to the future growth and development of the Group.

Expected Timetable

The expected timetable for the Proposed Withdrawal and the Introduction is set out below:

Despatch of circular, notice of the Extraordinary General Meeting and the related forms of proxy to the Shareholders	Monday, 30 June 2003
Despatch of the listing document in relation to the Introduction to the Shareholders	Monday, 30 June 2003
Latest time for lodgement of forms of proxy for the Extraordinary General Meeting	10:00 a.m. on Monday, 21 July 2003
Extraordinary General Meeting	10:00 a.m. on Wednesday, 23 July 2003
Notice of the Proposed Withdrawal and the announcement of results of the Extraordinary General Meeting to be published in The Standard (in English), in Hong Kong Economic Times (in Chinese) and on the GEM website	Thursday, 24 July 2003
Last day of dealings in Shares on GEM	Friday, 1 August 2003
Withdrawal of listing on GEM effective from	9:30 a.m. on Monday, 4 August 2003
Dealings in Shares on the Main Board expected to commence on	9:30 a.m. on Monday, 4 August 2003

FINANCIAL INFORMATION OF THE GROUP

Indebtedness

Borrowings

As at 30 April 2003, being the latest practicable date prior to the printing of the circular to the Shareholders for the purpose of the indebtedness statement, the Group had total outstanding borrowings of approximately HK\$94.5 million, comprising long term bank loans of approximately HK\$12.3 million, short term bank loans of approximately HK\$63.9 million, trust receipt loans of approximately HK\$3.4 million, bills payable of approximately HK\$14.0 million and other loan of approximately HK\$0.9 million.

Contingent liabilities

As at 30 April 2003, the Group had bills of exchange discounted with recourse of approximately HK\$37.7 million and the Group did not have any other significant contingent liabilities.

Capital commitments

As at 30 April 2003, the Group had total capital commitments, including commitments authorised but not contracted for and commitments contracted but not provided for, in respect of construction in progress and other fixed assets of approximately HK\$47.6 million.

Collateral

Long term bank loans and short term bank loans of HK\$12.3 million and HK\$3.9 million respectively were secured by certain fixed assets of the Group. Trust receipt loans and bills payable totalling of approximately HK\$17.4 million were secured by certain bank balances and cash of the Group.

Disclaimer

Save as disclosed above, none of the companies in the Group had outstanding as at the close of business on 30 April 2003, mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, hire purchase or other finance lease commitments, liabilities under acceptance (other than normal trade bills), acceptable credits, guarantees or other material contingent liabilities.

The Directors confirm that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 April 2003.

Liquidity, financial resources and capital structure

Net current assets

As at 30 April 2003, being the latest practicable date for the purpose of the disclosure of balance sheet items, the Group had net current assets of approximately HK\$89.3 million. The current assets comprised inventories of approximately HK\$27.6 million, receivables and prepayments of approximately HK\$90.8 million and bank balances and cash of approximately HK\$77.5 million. The current liabilities comprised trade and other payables of approximately HK\$20.9 million, value-added tax payable of approximately HK\$0.5 million, tax payable of approximately HK\$0.2 million, current portion of long term bank loans of approximately HK\$2.8 million, short term bank loans of approximately HK\$63.9 million, trust receipt loans of approximately HK\$3.4 million, bills payable of approximately HK\$14.0 million and other loan of approximately HK\$0.9 million.

Borrowings and banking facilities

As at 30 April 2003, the Group had aggregate borrowings and banking facilities of approximately HK\$167 million, of which approximately HK\$130 million were utilised.

Adjusted net tangible assets

The following pro forma statement of adjusted net tangible assets of the Group is based on the consolidated net assets of the Group as at 31 December 2002 and adjusted as shown below:

	<i>HK\$'000</i>
Consolidated net assets of the Group as at 31 December 2002	176,559
<i>Add:</i> Unaudited profit after taxation and minority interests of the Group for the four months ended 30 April 2003 based on its unaudited consolidated management accounts	14,066
<i>Less:</i> Exchange differences arising on translation of the accounts of foreign subsidiaries for the four months ended 30 April 2003	(211)
<i>Less:</i> Intangible assets of the Group as at 30 April 2003	(7,924)
<i>Less:</i> Final dividend for the year ended 31 December 2002 paid in cash (<i>Note 1</i>)	(12,273)
Net assets of the Group as at 30 April 2003	178,141
<i>Add:</i> Final dividend for the year ended 31 December 2002 settled by scrip Shares	10,023
Adjusted net tangible assets of the Group	180,240
Adjusted net tangible asset value per Share of the Group (<i>Note 2</i>)	14.11 cents

Notes:

- (1) At a meeting held on 28 February 2003, the Directors declared a final dividend of 1 cent per Share, amounted to approximately HK\$12,273,000, for the year ended 31 December 2002 ("2002 Final Dividend"). On 16 May 2003, the 2002 Final Dividend was partly settled by scrip Shares amounting to approximately HK\$10,023,000 and partly settled by cash amounting to approximately HK\$2,250,000.
- (2) The adjusted net tangible asset value per Share of the Group is based on a total of 1,277,462,169 Shares in issue immediately following the Introduction, but it takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options granted under the Share Option Scheme or which may be granted under the Proposed Share Option Scheme or upon the exercise by the Directors of the general mandates granted to them for the allotment and issue or repurchase of Shares.
- (3) The surplus of approximately HK\$5,000,000 and the additional annual depreciation of approximately HK\$112,000 (with a 10% scrap value) arising from revaluation of the Group's properties will not be incorporated into the Group's accounts for the year ending 31 December 2003. The valuations of the properties were conducted by BMI Appraisals Limited, an independent professional valuer.

Disclosure under Practice Note 19 of the Listing Rules or Rules 17.15 to 17.21 of the GEM Listing Rules

The Directors confirm that, as at 26 June 2003, they were not aware of any circumstances which would give rise to a disclosure requirement under Practice Note 19 of the Listing Rules or Rules 17.15 to 17.21 of the GEM Listing Rules.

PROPOSED ALTERATIONS TO THE ARTICLES OF ASSOCIATION

Certain amendments have been made to the Listing Rules in February 2002 as a result of which listed issuers are permitted, to the extent permitted under the applicable laws and regulations and their own constitutional documents and where the listed issuers have made adequate arrangements to ascertain the wish of their shareholders, to send or make available corporate communications (including the distribution of a summary of their financial statements) to their shareholders using electronics means and in either the English or Chinese language.

In connection with the Introduction and to align the Articles of Association with the latest changes to the Listing Rules, the Board proposes to seek the approval of the Shareholders for the alterations to the Articles of Association at the Extraordinary General Meeting, the provisions of which will comply with the requirements of the Listing Rules and permit the distribution of corporate communications (including the distribution of a summary of its financial statements) to the Shareholders by electronic means and in either the English or Chinese language.

In addition, it is proposed that the quorum for the meeting of the Directors be amended from “four” to “two” in order to facilitate smooth operation of the Group.

PROPOSED SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 26 January 2002. In connection with the Introduction and in order to comply with the provisions of the Listing Rules, the Company proposes to terminate the Share Option Scheme and adopt the Proposed Share Option Scheme. The rules of the Proposed Share Option Scheme will contain provisions which will comply with the requirements of Chapter 17 of the Listing Rules.

Application has been made to the Listing Committee of the Stock Exchange for the listing on the Main Board of, and permission to deal on the Main Board in, the Shares which may fall to be allotted and issued pursuant to the exercise of any options which were granted under the Share Option Scheme or which may be granted under the Proposed Share Option Scheme.

If approved by the Shareholders at the Extraordinary General Meeting, the Share Option Scheme will be terminated and replaced by the Proposed Share Option Scheme once the Proposed Share Option Scheme becomes unconditional.

Since the Shares were only traded on GEM, since February 2002, it is not a period long enough to derive any meaningful financial estimation upon which the value of the options would be determined, the Directors consider that currently it is not feasible to state the value of all the options in the Proposed Share Option Scheme.

Conditions of the Proposed Share Option Scheme

The adoption of the Proposed Share Option Scheme is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting approval of the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of any options which were granted under the Share Option Scheme or which may be granted under the Proposed Share Option Scheme; and
- (ii) the passing of an ordinary resolution by the Shareholders at the Extraordinary General Meeting to approve the adoption of the Proposed Share Option Scheme and the termination of the Share Option Scheme.

The Directors further confirm that the Company has no present intention to grant any options under the Share Option Scheme prior to its proposed termination.

As at 26 June 2003, there were 1,277,462,169 Shares in issue. Particulars of the options granted under the Share Option Scheme are set out below:

	Originally granted	Exercised	Cancelled or lapsed	Outstanding as at 26 June 2003
Number of Shares being subject of the options issued under the Share Option Scheme	49,800,000	none	none	49,800,000

The Directors further confirm that the Company has no present intention to grant any options under the Share Option Scheme prior to its proposed termination.

PROPOSED GENERAL MANDATES TO ISSUE SECURITIES AND REPURCHASE SHARES

The Directors confirm that they have not exercised the general mandates to issue securities and repurchase Shares after they have been granted to the Directors on 11 April 2003, and that they have no present intention to exercise such general mandates prior to the date of the proposed listing of the Shares on the Main Board.

Ordinary resolutions will be proposed at the Extraordinary General Meeting to grant new general mandates to the Directors to exercise the powers of the Company (i) to allot and issue securities of the Company up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution; and (ii) to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution. Both general mandates will expire on the earliest of (i) the date of conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by applicable law or the Articles of Association; and (iii) the time at which the general mandate in question is revoked or varied by an ordinary resolution by the Shareholders in general meeting.

A separate resolution will also be proposed at the Extraordinary General Meeting to approve that the aggregate nominal amount of any Shares repurchased by the Company following the granting of the general mandate to repurchase Shares be added to the aggregate nominal amount of Shares which may be issued under the general mandate to issue Shares.

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting is convened to be held at 18th Floor, CRE Building, 303 Hennessy Road, Wanchai, Hong Kong on Wednesday, 23 July 2003 at 10:00 a.m. or any adjournment thereof at which ordinary resolutions will be proposed to consider and, if thought fit, to approve, amongst other things, the following:

- (i) the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal;
- (ii) the termination of the Share Option Scheme and the adoption of the Proposed Share Option Scheme;
- (iii) the general mandates to issue securities and repurchase Shares; and
- (iv) the extension of the general mandate to issue securities by the aggregate nominal amount of Shares repurchased by the Company pursuant to the proposed general mandate to repurchase Shares.

At the Extraordinary General Meeting, a special resolution will also be proposed to consider and, if thought fit, to approve the alterations to the Articles of Association.

RECOMMENDATION

The Board recommends the Shareholders to vote in favour of the ordinary resolutions to approve, amongst other matters, the Proposed Withdrawal, the reduction of the notice period for the Proposed Withdrawal, the alterations to the Articles of Association, the termination of the Share Option Scheme, the adoption of the Proposed Share Option Scheme and the general mandates to issue securities and repurchase Shares to be proposed at the Extraordinary General Meeting. Perfect Develop Holding Inc., being the Controlling Shareholder (as defined in the GEM Listing Rules) holding, as at 26 June 2003, approximately 50.22% of the issued share capital of the Company, has undertaken to the Company that it will vote in favour of all the ordinary resolutions and the special resolution to be proposed at the Extraordinary General Meeting.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Articles of Association”	the articles of association of the Company adopted pursuant to a resolution passed by the Shareholders on 26 January 2002
“Board”	the board of Directors
“Business Day(s)”	any day(s) on which the Stock Exchange is open for the business of dealings in securities

“Company”	Vital BioTech Holdings Limited 維奧生物科技控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 30 May 2001, whose Shares are listed on GEM
“CPY”	Core Pacific – Yamaichi Capital Limited, a company which is deemed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to be licensed for the regulated activities of dealing in and advising on securities, corporate finance and asset management, the sponsor of the Company to the Introduction
“Director(s)”	the director(s) of the Company
“Effective Date”	on or about 4 August 2003, the day on which the Proposed Withdrawal is expected to become effective
“Extraordinary General Meeting”	an extraordinary general meeting of the Company to be held at 18th Floor, CRE Building, 303 Hennessy Road, Wanchai, Hong Kong on Wednesday, 23 July 2003 at 10:00 a.m.
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Introduction”	the proposed listing of the Shares on the Main Board by way of introduction pursuant to the Listing Rules
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible for Main Board listing matters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macao”	the Macao Special Administration Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM
“PRC”	People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macao and Taiwan

“Proposed Share Option Scheme”	the share option scheme proposed to be adopted at the Extraordinary General Meeting
“Proposed Withdrawal”	the proposed voluntary withdrawal of listing of the Shares on GEM
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the existing share option scheme of the Company adopted pursuant to a resolution passed by the Shareholder on 26 January 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Vital BioTech Holdings Limited
Ko Sai Ying, Thomas
Chairman

Hong Kong, 30 June 2003

This announcement, for which the directors of 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the day of this posting.