

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 Vital BioTech Holdings Limited (the “Company”), you should at once hand this circular with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim 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 is for information purpose only and does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of the Company, nor have such shares or other securities been allotted with a view to any of them being offered for sale to the public. No new shares will be issued in connection with, or pursuant to, the publication of this circular.



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

A letter from the board of directors of the Company is set out on pages 6 to 17 of this circular.

A notice convening an extraordinary general meeting of the Company (the “Extraordinary General Meeting”) to be held at 18th Floor, CRE Building, 303 Hennessy Road, Wanchai, Hong Kong on Wednesday, 23 July 2003 at 10:00 a.m. is set out on pages 29 to 38 of this circular.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so wish.

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

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which these companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions have the following meaning 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 dealing in securities
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“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., the notice of which is set out on pages 29 to 38 of this circular
“GEM”	the Growth Enterprise Market of the Stock Exchange
“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

DEFINITIONS

“Latest Practicable Date”	26 June 2003, being the latest practicable date for ascertaining certain information contained in this circular prior to its publication
“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 Administrative 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
“Placing”	the placing of 240,000,000 new Shares
“PRC” or “China mainland”	People’s Republic of China, which for the purposes of this circular, excludes Hong Kong, Macao and Taiwan
“Proposed Share Option Scheme”	the share option scheme proposed to be adopted at the Extraordinary General Meeting, the principal terms of which are set out in Appendix I to this circular
“Proposed Withdrawal”	the proposed voluntary withdrawal of listing of the Shares on GEM
“Prospectus”	the prospectus of the Company dated 30 January 2002 in connection with the listing of the Shares on GEM by way of placing of 300,000,000 Shares
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company in issue as at the date of passing of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution relating to the Repurchase Proposal, the text of which is set out in ordinary resolution no. 4 in the notice of the Extraordinary General Meeting
“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 Shareholders on 26 January 2002

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“HK\$” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“%”	per cent.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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:

- (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.

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 the 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 of Shares 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



Vital BioTech Holdings Limited

維奧生物科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Mr. Ko Sai Ying, Thomas
Mr. Au Yeung Ping Yuen, Terence
Mr. Liu Jin, James
Mr. Tao Lung

Independent non-executive Directors:

Mr. Lui Tin Nang
Mr. Lee Kwong Yiu

Registered office:

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

Principal place of business in Hong Kong:

18th Floor, CRE Building
303 Hennessy Road
Wanchai
Hong Kong

30 June 2003

To the Shareholders

Dear Sir or Madam,

**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**

BACKGROUND

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 in this circular.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information relating to the Proposed Withdrawal, the Introduction, 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, and to seek your approval of the 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, all to be proposed at the Extraordinary General Meeting.

THE PROPOSED WITHDRAWAL AND THE INTRODUCTION

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 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. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn.

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.

LETTER FROM THE BOARD

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.

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 the notice period for the Proposed Withdrawal.

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

- (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.

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 and 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

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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.

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.

Copies of the listing document issued in connection with the Introduction will be despatched to the Shareholders for information purpose only on or about 30 June 2003.

FINANCIAL INFORMATION OF THE GROUP

Indebtedness

Borrowings

As at 30 April 2003, being the latest practicable date prior to the printing of this document for the purpose of this 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.

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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, at the close of business on 30 April 2003, any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, hire purchase or other finance lease commitments, liabilities under acceptances (other than normal trade bills), acceptance 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.

LETTER FROM THE BOARD

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>)	(2,250)
Adjusted net tangible assets of the Group	<u>180,240</u>
Adjusted net tangible asset value per Share of the Group (<i>Note 2</i>)	<u>14.11 cents</u>

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 the Latest Practicable Date, 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.

LETTER FROM THE BOARD

USE OF PROCEEDS FROM THE PLACING IN FEBRUARY 2002

The Company raised total net proceeds of approximately HK\$96.0 million from the Placing in February 2002. Set out below is the comparison of the Group's actual use of proceeds for the period since the listing of the Shares on GEM in February 2002 and up to 31 December 2002, and its intended use of proceeds stated in the Prospectus:

	Intended use of proceeds as set out in the Prospectus <i>HK\$'000</i>	Actual use of proceeds for the period from 7 February 2002 up to 31 December 2002 <i>HK\$'000</i>
• Establishment of new production lines in Chengdu, Sichuan Province (revised to the establishment of a GMP compliant plant in Wuhan)	18,000	18,000
• Construction of phase 1 of the research and development centre in Chengdu, Sichuan Province	27,000	16,000
• Research and development of biopharmaceutical and conventional pharmaceutical products	9,000	9,000
• Construction of the GLP/GMP standard research and development centre in Melbourne, Australia	11,000	4,300
Staff training before 30 June 2002	4,000	4,000
Network setup, promotion and market survey in the second half of 2002	5,000	5,000
Staff training, promotion and market survey in the first half of 2003	5,000	–
Promotion and market research in the second half of 2003	5,000	–
• Total expenditure on marketing strategies such as expansion of distribution network, staff training and market survey	19,000	9,000
• Remaining proceeds appropriated for working capital and the buffering expenses of HK\$6.4 million for staff recruitment and establishment of new production lines in the Group's production plant in Chengdu, Sichuan Province, the PRC	12,000	12,000
Net fund raised/used	96,000	68,300

LETTER FROM THE BOARD

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.

Subject to the approval for the adoption of the Proposed Share Option Scheme by the Shareholders, a resolution will be proposed at the Extraordinary General Meeting for the grant of general authority to the Directors to grant options under the Proposed Share Option Scheme for the subscription of not more than 10 per cent. of the issued share capital of the Company as at the date of the passing of the relevant resolution. As at the Latest Practicable Date, there were 1,277,462,169 Shares in issue. On assumption that no further Shares will be allotted and issued by the Company prior to the Extraordinary General Meeting, 10 per cent. of the issued share capital of the Company will represent 127,746,216 Shares.

Following the approval by the Shareholders at the Extraordinary General Meeting, the Share Option Scheme will be terminated and replaced by the Proposed Share Option Scheme when the Proposed Share Option Scheme becomes unconditional. The principal terms of the Proposed Share Option Scheme are set out in Appendix I to this circular.

As at the Latest Practicable Date, 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 the Latest Practicable Date
Number of Shares being subject of the options issued under the Share Option Scheme	49,800,000	none	none	49,800,000

LETTER FROM THE BOARD

The Directors confirm that they will not further exercise their authorities in granting options under the Share Option Scheme and no further options will be granted under the Share Option Scheme prior to its termination and the adoption of the Proposed Share Option Scheme at the Extraordinary General Meeting. Upon the termination of the Share Option Scheme, no further options would be offered pursuant to the Share Option Scheme but the options granted under the Share Option Scheme would in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options prior to the termination of the Share Option Scheme. The Proposed Withdrawal and the Introduction will not have any effect on the options granted under the Share Option Scheme and the holders of such options will continue to be entitled to exercise their options in accordance with the provisions of the Share Option Scheme.

The Proposed Share Option Scheme is in compliance with the provisions of the Listing Rules. Under the Proposed Share Option Scheme, the Directors may impose a minimum period required for the holding of an option and performance targets on the option granted before it can be exercised. The Directors consider the Proposed Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that the grantees of options will make an effort to contribute to the development of the Group so as to bring about an increase in the value of the Shares in order to capitalise on the benefits of the options granted.

None of the Directors is a trustee of the Proposed Share Option Scheme or has a direct or indirect interest in the trustees.

Value of all options that can be granted under the Proposed Share Option Scheme

The Directors consider that currently it is not feasible to state the value of all the options in the Proposed Share Option Scheme based on the following reasons: (i) the Shares have only been traded on GEM since February 2002 which is not a period long enough to derive any meaningful financial estimation upon which the value of the options would be determined; and (ii) the calculation of the value of the options is based on a number of variables such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables and thus any calculation of the value of the options as if they had been granted as at the Latest Practicable Date would have to be based on a significant number of speculative assumptions.

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

LETTER FROM THE BOARD

- (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.

Application has been made to the Listing Committee of the Stock Exchange for granting approval of 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.

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 since 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 of 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.

An explanatory statement set out in Appendix II to this circular contains all the relevant information relating to the proposed Repurchase Resolution in order to provide the information reasonably necessary to enable the Shareholders to make an informed decision whether to vote for or against the Repurchase Resolution.

EXTRAORDINARY GENERAL MEETING

Set out on pages 29 to 38 of this circular is a notice convening the Extraordinary General Meeting to be held at 18th Floor, CRE Building, 303 Hennessy Road, Wanchai, Hong Kong on Wednesday, 23 July 2003 at 10:00 a.m., at which ordinary resolutions will be proposed to consider and, if thought fit, to approve 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;

LETTER FROM THE BOARD

- (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.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so wish.

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 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 and the special resolution to approve the alterations to the Articles of Association 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 the Latest Practicable Date, 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.

Results of the Extraordinary General Meeting

An announcement of the outcome of the Extraordinary General Meeting will be made by the Company on the business day immediately after the date of the Extraordinary General Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION

The listing document issued in connection with the Introduction is expected to be despatched to the Shareholders, for information purposes only, on or about 30 June 2003 and will be available for inspection at the Extraordinary General Meeting.

Copy of the following documents will be available for inspection at the office of Chiu & Partners at 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to 14 July 2003 and will also be available for inspection at the Extraordinary General Meeting:

- (i) the Articles of Association and the proposed alterations to the Articles of Association; and
- (ii) the rules of the Proposed Share Option Scheme.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

By order of the Board
VITAL BIOTECH HOLDINGS LIMITED
Ko Sai Ying, Thomas
Chairman

The following is a summary of the principal terms of the rules of the Proposed Share Option Scheme proposed to be adopted by the Shareholders at the Extraordinary General Meeting to be held on 23 July 2003 to replace the Share Option Scheme:

(i) Purpose of the scheme

The purpose of the Proposed Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

The Directors consider the Proposed Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors may at their absolute discretion, invite any person belonging to any of the following classes of participants (the “Eligible Participants”), to take up options to subscribe for Shares:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (the “Invested Entity”) in which any member of the Group holds any equity interest;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiary or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any employees or directors nominated by any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (h) any business partners who have contributed by way of joint venture or co-operative arrangement to the development and growth of the Group;

and, for the purposes of the Proposed Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Proposed Share Option Scheme.

The basis of eligibility of any of the above class of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(iii) Maximum number of Shares

- (a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Proposed Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Proposed Share Option Scheme and any other share option scheme of the Group) to be granted under the Proposed Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the date of passing the relevant resolution adopting the Proposed Share Option Scheme (the "General Scheme Limit"). As at the Latest Practicable Date, there were 1,277,462,169 Shares in issue. On the assumption that no further Shares will be allotted and issued by the Company prior to the Extraordinary General Meeting, the General Scheme Limit will represent 127,746,216 Shares.
- (c) Subject to (a) above and without prejudice to (d) below, the Company may issue a circular to the Shareholders and seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Proposed Share Option Scheme and any other share option scheme of the Group) previously granted under the Proposed Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (d) Subject to (a) above and without prejudice to (c) above, the Company may issue a circular to the Shareholders and seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to Eligible Participants specifically identified by the Company before such approval is sought. In such

event, the Company must send a circular to the Shareholders containing a generic description of the specified participants who may be granted options, the number and the terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Proposed Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

- (a) Any grant of options under the Proposed Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is also the grantee of the options).
- (b) Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (aa) representing in aggregate over 0.1% of the Shares in issue; and
 - (bb) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Proposed Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Proposed Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Proposed Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price for Shares under the Proposed Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

- (a) Shares to be allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until completion of the registration of the grantee as the holder thereof.
- (b) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of the Company from time to time.

(x) Restrictions on the time of grant of options

- (a) No offer for the grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Directors for the approval of the Company's interim or annual results; and (bb) the last date on which the Company must publish its interim or annual results announcement under its listing agreement, and ending on the date of the announcement of the results, no option may be granted.
- (b) The Directors may not grant any option to a participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) Period of the Proposed Share Option Scheme

The Proposed Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Proposed Share Option Scheme becomes unconditional.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation or termination and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination, which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of the Company, any of its subsidiary or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (a) (1) the grantee of any option or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever, (b) the option granted to the grantee under the Proposed Share Option Scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not already exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(xvii) Rights on winding up

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time prior to the date on which such resolution is passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Proposed Share Option Scheme and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options granted to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Proposed Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital of the Company to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alternation shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Directors.

(xxi) Termination of the Proposed Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Proposed Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Proposed Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Proposed Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Proposed Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the period referred to in paragraph (vi); and
- (b) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii).

(xxiv) Others

- (a) The Proposed Share Option Scheme is conditional on (i) the Shareholders' approval of the adoption of the Proposed Share Option Scheme and the termination of the Share Option Scheme being obtained; (ii) 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.
- (b) The terms and conditions of the Proposed Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (c) Any alterations to the terms and conditions of the Proposed Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Proposed Share Option Scheme.
- (d) The amended terms of the Proposed Share Option Scheme or the options must comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (e) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Proposed Share Option Scheme shall be approved by the Shareholders in general meeting.

(xxv) Present status of the Proposed Share Option Scheme

Application has been made to the Stock Exchange for the granting approval of 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.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company in issue as at the date of passing of the Repurchase Resolution.

(a) Share capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,277,462,169 Shares.

Subject to the passing of the Repurchase Resolution and on the assumption that no further Shares will be issued or repurchased prior to the Extraordinary General Meeting, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 127,746,216 Shares representing no more than 10% of the issued share capital of the Company as at the date of passing of the Repurchase Resolution.

(b) Reasons for repurchase

The Directors believe that the Repurchase Resolution is in the best interest of the Company and the Shareholders. Such repurchase may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

(c) Funding of repurchases

In repurchasing any Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and applicable laws and regulations of the Cayman Islands and the Listing Rules or the GEM Listing Rules (as the case may be).

There might be a material adverse impact on the working capital and/or gearing position of the Group in the event that the power to repurchase Shares pursuant to the Repurchase Resolution were to be carried out in full. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Resolution to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Group which, in the opinion of the Directors, are from time to time appropriate.

(d) Share prices

The highest and lowest prices at which the Shares have traded on GEM during each of the 12 months before the Latest Practicable Date are as follows:

	Price per Share	
	Highest HK\$	Lowest HK\$
June 2003 *	0.415	0.315
May 2003	0.390	0.310
April 2003	0.315	0.246
March 2003	0.280	0.230
February 2003	0.242	0.181
January 2003	0.275	0.228
December 2002	0.280	0.225
November 2002	0.280	0.213
October 2002	0.300	0.220
September 2002	0.340	0.240
August 2002	0.365	0.300
July 2002	0.435	0.295

* up to the Latest Practicable Date

(e) Undertaking

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution in accordance with the GEM Listing Rules (prior to the listing of the Shares on the Main Board) or the Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, their associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company.

No connected persons of the Company (as defined in the Listing Rules) has notified the Company that he has any present intention to sell Shares to the Company nor has such connected person undertaken not to sell any of the Shares held to the Company.

(f) Takeovers Code

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Resolution, a Shareholder's proportionate interest in the voting rights increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory general offer in accordance with Rules 26 and 32 of the Takeovers Code.

(g) Disclosure of interest

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Perfect Develop Holding Inc. held approximately 50.22% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares in accordance with the Repurchase Resolution, the total shareholding of Perfect Develop Holding Inc. in the Company would be increased to approximately 55.80% of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory general offer under the Takeovers Code. Further, the Directors do not have a present intention to exercise their powers under the Repurchase Resolution to an extent which would give rise to an obligation on any Shareholder or group of Shareholders acting in concert to make a mandatory general offer under the Takeovers code.

(h) Share purchase made by the Company

The Company had not purchased any Shares (whether on GEM or otherwise) during the six months preceding the Latest Practicable Date.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Vital BioTech Holdings Limited

維奧生物科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Vital BioTech Holdings Limited (the “Company”) will be held at 18th Floor, CRE Building, 303 Hennessy Road, Wanchai, Hong Kong on Wednesday, 23 July 2003 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications as ordinary resolutions and/or special resolution (as the case may be):

ORDINARY RESOLUTION NO.1

“THAT:

- (A) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing on the Main Board (as defined in the circular of the Company dated 30 June 2003 (the “Circular”)) of, and permission to deal on the Main Board in, the shares of HK\$0.01 each in the share capital of the Company (each a “Share”) in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of options which were granted under the existing share option scheme of the Company adopted on 26 January 2002 (the “Share Option Scheme”) (a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purposes of identification) or which may be granted under the Proposed Share Option Scheme (as defined in the Circular) (a copy of which has been produced to the meeting and marked “B” and initialled by the chairman of the meeting for the purposes of identification), and upon the publication by the Company of a notice in respect of the proposed withdrawal (the “Proposed Withdrawal”) of the listing of the Shares on the Growth Enterprise Market of the Stock Exchange (“GEM”) which shall be published for not less than the period as the shareholders of the Company shall approve in paragraph (B) of this Resolution prior to the effective date of the Proposed Withdrawal, the Proposed Withdrawal with effect from such date and time being acceptable to the Stock Exchange be and is hereby approved, and any one director of the Company or the company secretary be and is hereby authorised to do all such acts for and on behalf of the Company as he may in his absolute discretion deem necessary, desirable or expedient to give effect to the transactions contemplated hereunder; and
- (B) the notice period required under Rule 9.19(3) of the Rules Governing the Listing of Securities on GEM in connection with the Proposed Withdrawal (as defined in paragraph (A) of this Resolution) be reduced to a minimum period of five clear days on which the Stock Exchange is open for the business of dealings in securities from the date on which the shareholders of the Company shall have approved the Proposed Withdrawal.”

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ORDINARY RESOLUTION NO.2

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing on the main board of the Stock Exchange (the “Main Board”) of, and permission to deal on the Main Board in, the shares of HK\$0.01 each in the share capital of the Company (each a “Share”) in issue and any Shares which may fall to be allotted and issued pursuant to the exercise of options which were granted under the Share Option Scheme (as defined in the Circular) or which may be granted under the Proposed Share Option Scheme (as defined in the Circular):

- (A) the Share Option Scheme be terminated immediately upon the Proposed Share Option Scheme becoming unconditional;
- (B) the Proposed Share Option Scheme be and is hereby approved and adopted and the board of directors (the “Directors”) of the Company (or any committee thereof) be and are hereby authorised to approve any amendments to the rules of the Proposed Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and otherwise deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Proposed Share Option Scheme and to do all such acts as they may in their absolute discretion consider necessary, desirable or expedient to give effect to the Proposed Share Option Scheme; and
- (C) subject to the passing of the resolution in paragraphs (A) and (B) of this Resolution, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and the terms of the Proposed Share Option Scheme, the Directors be and are hereby authorised to grant options under the Proposed Share Option Scheme and to allot, issue and otherwise deal with Shares in the capital of the Company pursuant to the exercise of subscription rights under any options which may be granted under the Proposed Share Option Scheme and that the aggregate nominal amount of share capital to be allotted and issued, together with any issue of Shares upon the exercise of any options granted under any other share option scheme of the Company as may from time to time adopted by the Company, shall not exceed the aggregate of 10 per cent. of the Shares in issue as at the date of the passing of this resolution.”

ORDINARY RESOLUTION NO.3

“**THAT:**

- (A) conditional upon passing of Ordinary Resolution No.1 set out in the notice convening this meeting and subject to paragraph (C) of this Resolution, the directors of the Company (the “Directors”) be and are hereby granted an unconditional general mandate to exercise during the Relevant Period (as hereinafter defined in this Resolution) to exercise all the power of the Company to allot, issue and deal with additional shares of HK\$0.01 each in the share capital of the Company (each a “Share”) and to allot, issue or grant securities convertible or exchangeable into Shares, or options, warrants or similar rights to subscribe for or acquire Shares or such convertible or exchangeable securities and to make or grant offers, agreements and options in respect thereof;

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- (B) the approval referred to in paragraph (A) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital to be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to options or otherwise) by the Directors pursuant to the approval referred to in paragraph (A) of this Resolution, otherwise than pursuant to:
- (i) a Rights Issue (as hereinafter defined in this Resolution);
 - (ii) the exercise of rights of subscription or conversion under the terms of any options, warrants or similar rights or convertible securities issued by the Company or any securities which are exchangeable into Shares;
 - (iii) the exercise of the subscription rights under options granted under any option scheme or similar arrangement of the Company 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; or
 - (iv) any scrip dividend or similar arrangement providing for the allotment and issue of Shares or other securities of the Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval in paragraph (A) of this Resolution shall be limited accordingly;

- (D) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution up to:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands or any other applicable law or the articles of association of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest; and

“Rights Issue” means an offer of Shares or other securities of the Company open for a period fixed by the Directors to holders of Shares registered on the register or shareholders of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company); and

- (E) the general mandate of the kind referred to in paragraph (A) of this Resolution which was granted to the Directors previously and is still in effect prior to the passing of this Resolution be and is hereby revoked.”

ORDINARY RESOLUTION NO. 4

“**THAT:**

- (A) conditional upon passing of Ordinary Resolution No. 1 set out in the notice convening this meeting and subject to paragraph (B) of this Resolution, the exercise by the directors of the Company (the “Directors”) of all powers of the Company during the Relevant Period (as hereinafter defined in this Resolution) to repurchase shares of HK\$0.01 each in the share capital of the Company (each a “Share”) be and is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of Shares which may be repurchased by the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose pursuant to the approval in paragraph (A) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly;
- (C) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution up to:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands or any other applicable law or the articles of association of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting,

whichever is the earliest; and

- (D) the general mandate of the kind referred to in paragraph (A) of this Resolution which was granted to the Directors previously and is still in effect prior to the passing of this Resolution be and is hereby revoked.”

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ORDINARY RESOLUTION NO. 5

“**THAT** conditional upon the passing of Ordinary Resolutions No. 3 and No. 4 set out in the notice convening this meeting, the aggregate nominal amount of share capital of the Company that may be allotted, issued or dealt with or agreed conditionally or to be allotted, issued or dealt with by the directors of the Company pursuant to and in accordance with the mandate granted under Ordinary Resolution No. 3 be and is hereby increased and extended by the addition thereto of the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the repurchase mandate granted under Ordinary Resolution No. 4, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution.”

SPECIAL RESOLUTION

“**THAT** the articles of association of the Company (the “Articles of Association”) be and they are altered in the following manner:”

- (a) Article 1(A) be amended by:
 - a. deletion of the number “21” and insertion in its place of the number “18” in paragraph (i) of definition of “associates”;
 - b. deleting the words “a recognised clearing house within the meaning of section 2 of the Securities and Futures (Clearing Houses) Ordinance (Cap. 420 of the Laws of Hong Kong) or” from the definition of “clearing house”;
 - c. insertion of the following definition immediately before the definition of “debenture” and “debenture holder”:

““Company’s website” the website of the Company to which the shareholder may have access, the address or domain name of which have been notified to the shareholders at the time the Company seeks the relevant shareholder’s consent for the purposes of Article 180(B), or as subsequently amended by notice given to the shareholders in accordance with Article 180”;

- d. insertion of the following words immediate after the word “form” in the definition of “writing” or “printing”:

“including where the representation takes the form of electronic display, provided that the same is available for download onto a user’s computer or for printing through conventional small office equipment or is placed on the Company’s website and, in each case, the shareholder concerned (where the relevant provision of these Articles requires the delivery or service of any document or notice on him in his capacity as shareholder) has elected for the receipt of the relevant download or notice through electronic means and both the mode of service of the relevant document or notice and the shareholder’s election comply with all applicable laws and regulations and the requirements of the stock exchange of the Relevant Territory”;
- (b) Article 47 be amended by insertion of the words “or by any electronic means in such manner as may be accepted by the stock exchange in the Relevant Territory”, after the word “Newspapers” on the second line of that paragraph;

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- (c) Article 133 be altered by deleting the word “four” on the fourth line of that paragraph and replaced by the word “two”;
- (d) Article 175 be amended by:
 - a. insertion of the words “affect the operation of paragraph (C) of this Article, or” immediately after the words “provided that this Article shall not” on the thirteenth line in paragraph (B); and
 - b. insertion of the following paragraph as new Article 175(C):

“(C) Subject to due compliance with the Statutes and the rules of the stock exchange in the Relevant Territory, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, the requirements of Article 175(B) shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes and instead of such copies, a summary financial statement derived from the Company’s annual financial statements and the directors’ report thereon, which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors’ report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.”;
- (e) Article 180 be deleted in its entirety and replaced with the following:

“180. (A) Subject to Article 180(B), any notice or document to be given or issued under these Articles shall be in writing, and may be served by the Company on any shareholder either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such shareholder at his registered address as appearing in the register or by delivering or leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the Newspapers or displaying the relevant notice conspicuously at the Registered Office and the Head Office. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Any notice or document may be given to a shareholder in the English language or the Chinese language, subject to due compliance with all applicable statutes, rules and regulations.

(B) Subject to due compliance with the rules of the stock exchange in the Relevant Territory, and to obtaining all necessary consents, if any, required and such consents being in full force and effect, any notice or document (including any document or notice issued or to be issued by the Company for the information and/or action of holders of any of its securities, and whether or not given or issued under these Articles) may also be served by the Company by electronic means:

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- (i) at his electronic address or website as appearing in the Register (if any); or
- (ii) at any other electronic address or website supplied by him to the Company for the purpose of such transmission; or
- (iii) by placing it on the Company's website provided that where the relevant documents are the Company's directors' report, annual financial statements, auditors' report and, where Article 175(C) applies, a summary financial statement, any service of such documents by placing on the Company's website shall also be accompanied by a notice of publication ("notice of publication") of such documents on the Company's website given to the shareholder concerned in the manner referred to in Article 180(A) or in any other manner agreed between the shareholder concerned and the Company;

provided that (aa) in the case of joint holders of share, any consent required from the shareholder concerned for the purposes of this Article 180(A) shall be given by that one of the joint holders who is entitled to receive notice pursuant to Article 180(A); and (bb) the Company may, for the purposes of this Article 180(B), propose to its shareholders any one or more or all of the above means of electronic communication.”;

- (f) Article 181 be deleted in its entirety and replaced with the following:

“181. (A) Any shareholder whose registered address is outside the Relevant Territory may notify the Company in writing of an address in the Relevant Territory which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the shareholder is outside the Relevant Territory, notice, if given through the post, shall be sent by prepaid airmail letter where available.

- (B) Any shareholder who fails (and, where a share is held by joint holders, where the first joint holder named on the register fails) to supply his registered address or electronic address (in the event that the shareholder concerned has elected for service of any notice or document at his electronic address or website pursuant to Article 180(B)) or a correct registered address or electronic address (in the event that the shareholder concerned has elected for service of any notice or document at his electronic address or website pursuant to Article 180(B)) to the Company for service of notices and documents on him shall not (and where a share is held by joint holders, none of the other joint holders whether or not they have supplied a registered address or electronic address (in the event that the shareholder concerned has elected for service of any notice or document at his electronic address or website pursuant to Article 180(B)) shall be entitled to service of any notice or documents by the Company and any notice or document which is otherwise required to be served on him may, if the Directors in their absolute discretion so elect (and subject to them re-electing otherwise from time to time), be served,

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in the case of notices, by displaying a copy of such notice conspicuously at the Registered Office and the Head Office or, if the Directors see fit, by advertisement in the Newspapers, and, in the case of documents, by posting up a notice conspicuously at the Registered Office and the Head Office addressed to such shareholder which notice shall state the address within the Relevant Territory at which he may obtain a copy of the relevant document, or by displaying or otherwise making available the relevant notice or document on the Company's website and stating the address within the Relevant Territory at which he may obtain a copy of the notice or document. Any notice or document served in the manner so described shall be sufficient service as regards shareholders with no registered or electronic address (in the event that the shareholder concerned has elected for service of any notice or document at his electronic address or website pursuant to Article 180(B)) or incorrect addresses, provided that nothing in this paragraph (B) shall be construed as requiring the Company to serve any notice or document on any shareholder with no or an incorrect registered address or electronic address (in the event that the shareholder concerned has elected for service of any notice or document at his electronic address or website pursuant to Article 180(B)) for the service of notice or document on him or on any shareholder other than the first named on the register of members of the Company.

- (C) If on three consecutive occasions notices or other documents have been sent through the post to any shareholder (or, in the case of joint holders of shares, the first holder named on the register) at his registered address or by electronic means to his electronic address or website (in the event that the shareholder concerned has elected for service of any notice or document at this electronic address or website pursuant to Article 180(B)) but have been returned undelivered, such shareholder (and, in the case of joint holders of a share, all other joint holders of the share) shall not thereafter be entitled to receive or be served (save as the Directors may elect otherwise pursuant to paragraph (B) of this Article) and shall be deemed to have waived the service of notices and other documents from the Company until he shall have communicated with the Company and supplied in writing a new registered address or electronic address (in the event that the shareholder concerned has elected for service of any notice or document at his electronic address or website pursuant to Article 180(B)) for the service of notices on him.
- (D) Notwithstanding any election by a shareholder, if the Company is advised that the sending of any notice or other document to any electronic address supplied by a shareholder may or might infringe the law of any relevant jurisdiction, or if the Company cannot verify the location of the server at which the electronic address of the shareholder is located, the Company may, in lieu of the sending of any notice or other document to the electronic address supplied by the shareholder concerned, place the same on the Company's website, and any such placement shall be deemed effective service on the shareholder, and the relevant notice and document shall be deemed to be served on the shareholder on which the same is first placed on the Company's website.

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- (E) Notwithstanding any election by a shareholder from time to time to receive any notice or document through electronic means, such shareholder may, at any time require the Company to send to him, in addition to an electronic copy thereof, a printed copy of any notice or document which he, in his capacity as shareholder, is entitled to receive.”;
- (g) Article 182 be deleted in its entirety and replaced with the following:

 - “182. (A) Any notice or document sent by post shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is put into a post office situated within the Relevant Territory and in proving such service it shall be sufficient to prove that the envelope or wrapper containing notice or document was properly prepaid (and in the case of an address outside the Relevant Territory where airmail service is available, airmail postage prepaid), addressed and put into such post office and a certificate in writing signed by the Secretary or other person appointed by the Directors that the envelope or wrapper containing the notice or document was so addressed and put into such post office shall be conclusive evidence thereof.
 - (B) A notice served by advertisement in the Newspapers shall be deemed to have been served on the day on which the notice is first published.
 - (C) Any notice or document sent by electronic transmission shall be deemed to have been served on the day on which the notice is sent.
 - (D) Any notice or document placed on the Company’s website is deemed given by the Company to a shareholder on the day the notice or document is placed on the Company’s website except where the document is the Company’s directors’ report, annual financial statements or auditors’ report and, where applicable, summary financial statement, then such document shall be deemed to be served on the day following that on which a notice of publication is deemed served on the shareholder.
 - (E) A notice served by display of the same at the Registered office and Head Office shall be deemed to have been served 24 hours after the notice was first so displayed.
 - (F) Any notice or document served pursuant to Article 181(B) shall be deemed duly served 24 hours after the relevant notice was first displayed.”;
- (h) Article 183 be amended by insertion of the words “(including electronic address)” after the words “at the address” on the seventh line of that paragraph;
- (i) Article 184 be deleted in its entirety and replaced with the following:

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“184. Any person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which prior to his name and address being entered on the Register shall have been duly served or deemed to have been duly served to the person from whom he derives his title to such share.”; and

- (j) Article 185 be amended by insertion of the words “or electronic means” after the words “sent by post” on the first line of that paragraph.”

(a copy of the revised Articles of Association, with mark-up indicating the above proposed alternations having been produced to the meeting marked “C” and signed by the chairman of the meeting for the purposes of identification).”

By order of the Board
VITAL BIOTECH HOLDINGS LIMITED
Ko Sai Ying, Thomas
Chairman

Hong Kong, 30 June 2003

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or proxies to attend and, subject to the provisions of the articles of association of the Company, vote on his behalf. A proxy need not be a member of the Company. A proxy form for use at the meeting is enclosed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
3. In the case of joint registered holders of any Shares, any one of them may vote at the meeting, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto; but if more than one of such joint registered holders be present at the meeting, either personally or by proxy, that one of them so present whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holders.
4. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.