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## **VITOP BIOENERGY HOLDINGS LIMITED**

**(天年生物控股有限公司)\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1178)

### **DISCLOSEABLE TRANSACTION INVOLVING ACQUISITION OF 18% EQUITY INTERESTS IN ACCESS BOOM GROUP LIMITED AND ISSUE OF CONSIDERATION SHARES AND RESUMPTION OF TRADING**

The Board is pleased to announce that on 4 August 2007, the Company has entered into the Acquisition Agreement with the Vendor to acquire 18% equity interests in the issued share capital of Access Boom for a Consideration of HK\$18 million.

The Consideration shall be satisfied by the Purchaser paying HK\$5 million in cash to the Vendor, and the remaining balance of HK\$13 million by the allotment and issue of the Consideration Shares credited as fully paid at the issue price of HK\$0.35 by the Purchaser to the Vendor or its nominee at Completion:

Access Boom is principally engaged in development and marketing of automobile lean-burn fuel-saving instruments, electronic management system, turbo engines and other related products in the PRC.

The Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules.

A circular containing further details of the Acquisition will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 6 August 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 August 2007.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

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*\* for identification purpose only*

## THE ACQUISITION AGREEMENT

**Date:** 4 August 2007

- Parties:**
- (1) The Vendor (as vendor)
  - (2) The Company (as purchaser)
  - (3) The Guarantor (as Vendor's guarantor)

The Vendor is a private company incorporated in the British Virgin Islands with limited liability and its principal activity is investment holdings of the equity interests of Access Boom.

The Vendor is held by the Guarantor and Ms. Jin Xiyi in equal shares. Each of the Guarantor and Ms. Jin Xiyi is a Chinese national and a merchant. The Guarantor will guarantee the performance by the Vendor of its obligations under the Acquisition Agreement.

The Company confirms that to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners, being the Guarantor and Ms. Jin Xiyi is an Independent Third Party and each of them has no prior transactions with the Group which require aggregating pursuant to Rule 14.22 of the Listing Rules.

### Assets to be acquired

The Vendor agreed to sell the Sale Shares and the Purchaser agreed to purchase the Sale Shares subject to and upon the terms of the Acquisition Agreement.

### The Sale Shares

The Sale Shares comprise 252 AB Shares in the issued share capital of Access Boom, representing 18% of the entire issued share capital of Access Boom. As at the date of this announcement, the Vendor is the legal and beneficial owner of the Sale Shares.

### Consideration

The Consideration for the Acquisition is HK\$18 million and shall be satisfied by the Purchaser in the following manner at Completion:

- (a) HK\$5 million in cash to the Vendor; and
- (b) the remaining balance of HK\$13 million by the allotment and issue of the Consideration Shares credited as fully paid at the issue price of HK\$0.35 by the Purchaser to the Vendor or its nominee.

The Consideration was determined after arm's length negotiation with the Vendor and based upon various factors including the large automobile market in the PRC with huge growth potential and increasing demand for latest and environmentally friendly technology, which the technology developed by Access Boom have been tailored in this industry and could offer a competitive edge, together with the expertise of its senior management; the positive responses from potential customers of Access Boom to its products, including some major and international motor companies; and the guaranteed dividend provided by the Vendor.

The Board is aware that although Access Boom is a newly incorporated company with a net asset value of about HK\$1.63 million as at end of June 2007, the Board has also noted that Access Boom has already commenced business and have generated a turnover of about HK\$1.8 million with an unaudited net profit of about HK\$0.2 million for the six months ended June 2007. Upon review of the business of Access Boom by the Board, the Board considers the Acquisition provides a good opportunity for the Company to diversify its earning base. Based on the above factors and the Acquisition as a whole, the Board considers the Consideration to be fair and reasonable.

The HK\$5 million will be financed from internal resources of the Group which is sufficient and would have no material or adverse effect to the financial operation of the Group.

### **The Consideration Shares**

The 37,142,857 Consideration Shares will be allotted and issued under the General Mandate granted to the Directors to allot and issue up to 139,708,620 new Shares. As at the date of this announcement, the General Mandate has not been utilised. After the allotment and issue of the Consideration Shares, the General Mandate granted to the Directors to allot and issue up to 102,565,763 new Shares remain unutilised.

The issue price of HK\$0.35 per Consideration Share represents:

- (a) a discount of approximately 2.78% to the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on 3 August 2007, being the last trading day before the Agreement is signed;
- (b) a discount of approximately 6.17% to the average of the closing prices of approximately HK\$0.373 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 3 August 2007; and
- (c) a discount of approximately 6.42% to the average of the closing prices of approximately HK\$0.374 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 3 August 2007.

The Consideration Shares to be allotted and issued represent approximately 5.32% of the existing issued share capital of the Company and approximately 5.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with each other and with the Shares in issue on the date of allotment and issue of the Consideration Shares. There is no restriction on sales of the Consideration Shares by the Vendor.

The shareholdings in the Company as at the date of this announcement and immediately after completion of the Acquisition are shown as follows:

	As at the date of this announcement		Immediately after completion of the Acquisition	
	Shares	% (approx.)	Shares	% (approx.)
Mr. Hung Kai So ( <i>note 1</i> )	138,707,105	19.86	138,707,105	18.85
Pippen Group Limited ( <i>note 2</i> )	119,805,112	17.15	119,805,112	16.28
Longway Group Limited ( <i>note 3</i> )	38,211,494	5.47	38,211,494	5.19
Sae-lao Rakchanok ( <i>note 4</i> )	48,902,949	7.00	48,902,949	6.65
Liu Jun ( <i>note 5</i> )	16,816,607	2.41	16,816,607	2.29
<b>Sub-total</b>	<b>342,443,267</b>	<b>51.89</b>	<b>361,443,267</b>	<b>49.26</b>
<b>Public Shareholders</b>				
Vendor	—	—	37,142,857	5.05
Other public Shareholders	336,099,837	48.11	336,099,837	45.69
<b>Sub-total</b>	<b>336,099,837</b>	<b>48.11</b>	<b>373,242,694</b>	<b>50.74</b>
<b>Total</b>	<b>698,543,104</b>	<b>100.00%</b>	<b>735,685,961</b>	<b>100.00%</b>

Notes:

1. Mr. Hung Kai So is an executive Director and the Chairman of the Company.
2. Pippen Group Limited is owned as to approximately 33.33% of the entire equity interests by Dr. Han Xiaoyue, an executive Director.
3. Longway Group Limited is wholly owned by Mr. Ma Yufeng, an ex-director of the Company who resigned on 5 December 2006.
4. Sae-lao Rakchanok is a consultant of the Company.
5. Liu Jun is an executive Director.

Save for the Company has 45,951,364 outstanding options granted to the eligible participants under the share option scheme adopted by the Company on 23 January 2003, there are no other outstanding options and/or convertible securities as at the date of this announcement.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

### **Conditions**

The Acquisition Agreement is conditional upon:

- (a) the Purchaser being satisfied with the results of the due diligence review of Access Boom to be conducted;
- (b) the Warranties remaining true, accurate and complete in all material respects;
- (c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, the Consideration Shares;
- (d) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Acquisition Agreement and the transactions contemplated thereby having been obtained; and
- (e) Access Boom, the Vendor, the Subsidiary and all other shareholders of the Company entering into the Shareholders Agreement.

The Company may at any time waive in writing the whole or part of the conditions (a), (b), (d) and (e) set out above (save for condition (c), which is incapable of being waived). If the conditions set out above have not been satisfied (or as the case may be, waived by the Company) on or before 4:00 p.m. on the Long Stop Date, or such later date as the Vendor and the Company may agree, the Acquisition Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

### **Dividend guarantee**

The Vendor has guaranteed to the Purchaser that Access Boom shall not make any loss for the financial year ending 31 December 2007, and the Vendor undertakes to the Purchaser that it shall receive minimum dividend payments of HK\$900,000 (“**Guaranteed Dividend**”) for the two financial years ending 31 December 2008 and 2009 which is calculated as follows:

$$\text{Guaranteed Dividend} = \text{Net Profit} \times 18\%$$

whereas “**Net Profit**” shall be deemed to be HK\$5,000,000 in any event irrespective whether Access Boom will be making any profit or suffering any loss; and the “18%” is the Purchaser’s equity interest in Access Boom.

If the actual dividend paid out to the Purchaser by Access Boom for each of the two financial years is less than the Guaranteed Dividend, the Vendor shall compensate the Purchaser for any shortfall on a dollar-for-dollar basis.

### **Vendor’s undertaking**

The Vendor has undertaken that immediately upon Completion, a shareholder’s loan in the sum of HK\$4,000,000 which is unsecured and interest free shall be advanced to Access Boom as general working capital for a minimum term of two years (“**Vendor’s Loan**”).

It is a condition of the Vendor's Loan that repayment obligation of Access Boom will only arise after the expiry of the initial term if Access Boom has sufficient financial resources for repayment.

## **Completion**

Completion will take place on the third Business Day after the fulfilment of all the conditions of the Acquisition Agreement.

After Completion, the Company will be interested in 18% of the entire equity interests in Access Boom, and such interest will be treated as other investments in the financial statements of the Company.

Subsequent disposal of the Sale Shares will be governed by the Shareholders Agreement to be entered into by all the shareholders of Access Boom.

Neither the Vendor, the Guarantor, nor any other shareholders of Access Boom will be appointed to the Board of the Company after Completion.

## **Board representation**

As at the date of this announcement, the board of directors of Access Boom comprises two executive directors of which the Guarantor was nominated by the Vendor and the remaining director was nominated by the other shareholders of Access Boom.

After Completion, the Company will nominate two directors to the board of Access Boom and one of whom will become the chairman, whereas all the other shareholders of Access Boom will be entitled to nominate in aggregate four directors to the board of Access Boom.

## **INFORMATION ON ACCESS BOOM**

Access Boom's principal business activity is in development and marketing of automobile lean-burn fuel-saving instruments, electronic management system, turbo engines and other related products in the PRC.

Access Boom currently has two experienced senior management to carry out its Business, namely Professor Chen Guohua, leading scientist on lean-burn technology, as Chief Technology Officer and Mr. Xiong Mianchao, former Dongfeng Automobile Corporation Senior Officer as General Manager. Each of Professor Chen and Mr. Xiong is an Independent Third Party.

Since Access Boom was incorporated on 13 December 2006, no audited financial information was available. The latest unaudited financial information of Access Boom for the six months ended 30 June 2007 prepared in accordance with HKFRS is as follows:

	<b>Six months ended 30 June 07</b> <i>HK\$'000</i>	<b>Company's 18% attributable interests</b> <i>HK\$'000</i>
Turnover	1,801	324
Profit before taxation	260	47
Profit after taxation (Net profit)	221	40
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Net asset value	<u>1,631</u>	<u>294</u>

After Completion, the Company's 18% equity interests in Access Boom will be treated as other investments in the financial statements of the Company.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the manufacturing and trading of bio-energy products, healthcare food products, multi-functional water generators and other healthcare products in the PRC.

The Board considers the large automobile market in the PRC has huge growth potential and there has been increasing demand for latest and environmentally friendly technology, which the technology developed by Access Boom could offer a competitive edge, and the Board noted the positive responses from potential customers of Access Boom to its products.

The Directors believe that the Acquisition allows the Group to diversify its earning base and to benefit from the Guaranteed Dividend and any further dividends which may be obtained from the investment in Access Boom.

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

## **GENERAL**

The Acquisition constitutes a discloseable transaction on the part of the Company under the Listing Rules. A circular containing further details of the Acquisition Agreement and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the executive Directors are Hung Kai So, Han Xiaoyue, Chen Henglong, Zhang He, Chan Yuk Tong, and Liu Jun; and the independent non-executive Directors are Yuan Tsu I, Li Li Te and Chan Chiu Hung Alex.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 6 August 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 August 2007.



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning when used herein:

“AB Shares”	ordinary shares of US\$1.00 each in the share capital of Access Boom
“Access Boom”	Access Boom Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Acquisition”	the acquisition of the Sale Shares under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 4 August 2007 and entered into among the Vendor, the Company and the Guarantor in relation to the Acquisition
“Board”	the board of Directors
“Business”	the principal activity of Access Boom being the development and marketing of automobile lean-burn fuel-saving instruments, EMS system, turbo engines and other related products
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Vitop Bioenergy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement, which will take place on the third Business Day after the fulfillment of all the conditions of the Acquisition Agreement
“Consideration”	the sum of HK\$18,000,000.00
“Consideration Shares”	37,142,857 new Shares to be allotted and issued to the Vendor to satisfy part of the Consideration
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“General Mandate”	the general mandate to allot and issue Shares granted to the Directors by a resolution passed by the Shareholders at the annual general meeting of the Company held on 22 December 2006
“Guarantor”	Ms. Zhang Wenying
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC



“Independent Third Party”	a third party independent of the Company and the connected persons (as defined under the Listing Rules) of the Company, and not a connected person (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	1 September 2007
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	the 252 AB Shares beneficially owned by the Vendor, representing 18% of the entire issued share capital of Access Boom
“Shares”	ordinary shares of the Company with par value of HK\$0.025 each
“Shareholders”	holders of the Shares
“Shareholders Agreement”	a shareholders agreement to be entered into by all shareholders of Access Boom relating to, among other matters, the management of the Company and provisions relating to the shareholding structure of the Company with effect from the Completion Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warranties”	the representations, undertakings and warranties provided by the Vendor under the Acquisition Agreement
“Vendor”	Merdeka Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned by the Guarantor as to 50% of its equity interests
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board  
**Vitop Bioenergy Holdings Limited**  
**Hung Kai So**  
*Chairman*

Hong Kong, 6 August 2007

*As at the date of this announcement, the executive directors of the Company are Hung Kai So, Han Xiaoyue, Chen Henglong, Zhang He, Chan Yuk Tong, and Liu Jun; and the independent non-executive directors of the Company are Yuan Tsu I, Li Li Te and Chan Chiu Hung Alex.*