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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)

**CLARIFICATION ANNOUNCEMENT**

The Directors noted a report appearing in Ta Kung Pao on 29 March 2004 regarding a proposed joint venture between the Group and Hefei Meiling Group for the manufacture and sale of ionised water apparatus in the PRC and wish to clarify as follows:

- on 16 March 2004, Vitop BVI entered into an acquisition agreement with Hefei Meiling Group for the acquisition of 80% interest in Hefei Meiling for a consideration of RMB3.57 million (equivalent to approximately HK\$3.37 million); and
- the Company has no intention or plan to seek a separate listing in Hong Kong or in other stock exchange for Hefei Meiling.

**Shareholders and investors of the Company are reminded to exercise caution in dealing in the shares of the Company.**

**THE NEWSPAPER REPORT**

The Directors noted the Newspaper Report which, among other things:

- a proposed joint venture between the Group and Hefei Meiling Group for the manufacture and sale of ionised water apparatus in the PRC; and
- a proposal to seek a separate listing for the joint venture company in Hong Kong within the next three years.

In connection with the Newspaper Report, the Directors wish to clarify as follows:

- on 16 March 2004, Vitop BVI entered into an acquisition agreement with Hefei Meiling Group for the acquisition of 80% interest in Hefei Meiling for a consideration of RMB3.57 million (equivalent to approximately HK\$3.37 million). Details of the Acquisition Agreement are set out in the paragraph headed “The Acquisition Agreement” in this announcement; and

- the Company has no intention or plan to seek a separate listing in Hong Kong or in other stock exchange for Hefei Meiling.

## **THE ACQUISITION AGREEMENT**

The following is brief summary of the major terms of the Acquisition Agreement:

- Date : 16 March 2004
- Parties : (1) Vitop BVI, a wholly owned subsidiary of the Company as the purchaser; and  
(2) Hefei Meiling Group as the seller. Hefei Meiling Group together with its beneficial owners are independent third parties and not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates.
- Subject matter : 80% interest in Hefei Meiling. Hefei Meiling is a company established in the PRC with limited liability on 26 May 1998. It is an independent third party and not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates. Upon completion of the Acquisition, Hefei Meiling will be converted into a sino-foreign joint venture and will be owned as to 80% by the Company and as to 20% by Hefei Meiling Group.
- Consideration : RMB3.57 million (equivalent to approximately HK\$3.37 million). The consideration will be settled in cash and paid as to 20% within 15 days of the fulfilment of the conditions set out in the Acquisition Agreement; and as to the remaining 80% on completion.
- The consideration is determined after arm's length negotiation by reference to the net asset value of Hefei Meiling as at 29 February 2004 as shown in the audited accounts dated 4 March 2004 and issued by a PRC accountant firm.
- Conditions : The sale and purchase contemplated under the Acquisition Agreement is subject to the fulfilment of the following conditions on or before 16 September 2004:
- obtaining all the approvals from the relevant PRC authorities in relation to the transaction contemplated under the Acquisition Agreement and the conversion of Hefei Meiling into a sino-foreign joint venture; and
  - obtaining all other requisite approval, consent and waiver from the relevant parties.
- Completion : Completion of the Acquisition will take place upon fulfilment of all the conditions.

The audited profit after tax of Hefei Meiling for the year ended 31 December 2003 was RMB544,490 (equivalent to approximately HK\$508,870).

There is no provision for board representation in the Acquisition Agreement. It is presently intended that upon completion of the conversion of Hefei Meiling into a sino-foreign joint venture, the Company will nominate two representatives and Hefei Meiling Group will nominate one representative to the board of Hefei Meiling.

Pursuant to a co-operation agreement dated 28 April 2002, Hefei Meiling applied the BIOenergy® compound to ionised water apparatus manufactured by it for distribution through the Group's franchise distribution network under the Vitop® brand name. The Directors believe that the Acquisition will enable the Group to exercise more control over the quality of the ionised water apparatus which were distributed under the Vitop® brand name.

## **GENERAL**

The entering into of the Acquisition Agreement does not constitute a notifiable transaction for the Company under the Listing Rules.

**Shareholders and investors of the Company are reminded to exercise caution in dealing in the shares of the Company.**

## **DEFINITION**

Unless the context otherwise required, terms used in this announcement shall have the following meaning:

“Acquisition”	the acquisition of the 80% interest in Hefei Meiling pursuant to the Acquisition Agreement;
“Acquisition Agreement”	The agreement dated 16 March 2004 and entered into between Vitop BVI and Hefei Meiling Group in relation to the Acquisition;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Company”	Vitop Bioenergy Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hefei Meiling”	合肥美菱環保電子有限責任公司(Hefei Meiling Electron Environment Protection Co., Ltd.*) (to be renamed as 天年美菱環保科技有限責任公司 (Vitop Meiling Environmental Technologies Co. Ltd.*) upon completion of the Acquisition);
“Hefei Meiling Group”	合肥美菱集團控股有限公司(Hefei Meiling Group Holdings Company Limited*), a company incorporated in the PRC and owns the entire issued share capital of Hefei Meiling prior to the completion of the Acquisition;

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Newspaper Report”	the report appearing in the 29th March 2004 edition of Ta Kung Pao regarding a proposed joint venture between the Group and Hefei Meiling Group for the manufacture and sale of ionised water apparatus in the PRC;
“PRC”	The People’s Republic of China;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vitop BVI”	Vitop Bioenergy Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“RMB”	Reminbi, the lawful currency of the PRC.

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

Hong Kong, 30 March 2004

In this announcement RMB1.00 is equivalent to HK\$1.06

\* *for identification purposes only*

Please also refer to the published version of this announcement in the China Daily.