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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)*

**APPOINTMENT OF DIRECTOR,  
RESIGNATION OF DIRECTOR  
AND CHANGE OF AUTHORIZED REPRESENTATIVE  
AND  
CONNECTED TRANSACTION  
SUBSCRIPTION OF SHARES BY A DIRECTOR  
AND  
GRANT OF OPTIONS TO A DIRECTOR  
AND  
UNUSUAL MOVEMENTS IN PRICE AND TRADING VOLUME  
OF THE SHARES**

The Board is pleased to announce the appointment of Mr. Lee Kwok Ming as an executive Director and one of the authorized representatives of the Company on 5 January 2004.

On 5 January 2004,

- the Company entered into a service agreement with Mr. Lee for the appointment of Mr. Lee as an executive Director for a term of two years;
- the Company entered into a subscription agreement with Mr. Lee in relation to the subscription of an aggregate of 7,752,000 new Shares by Mr. Lee at the subscription price of HK\$0.31 per Subscription Share;
- subject to the approval of the Independent Shareholders, the Independent Non-executive Directors have approved the grant of Options to Mr. Lee to subscribe for up to 20,000,000 Shares at the exercise price of HK\$0.495 per Share exercisable during the period of five years from the date of grant, being 5 January 2004, as more particularly described in the paragraph headed “The grant of Options” in this announcement.

The entering into of the Subscription Agreement constitutes a connected transaction for the Company under Rule 14.26(3) of the Listing Rules and is made subject to the approval of the Independent Shareholders. As Mr. Lee is a Director and the Shares to be issued and allotted to Mr. Lee upon the exercise of the Options in full represent approximately 3.01% of the existing issued share capital of the Company, the grant of the Options has been approved by the Independent Non-executive Directors and will be subject to the approval of the Independent Shareholders. A circular containing: (i) details of the appointment of Mr. Lee, the Subscription Agreement and the grant of the Options; (ii) a letter from the independent board committee and a letter from an independent financial adviser with its advice on the Subscription and the grant of the Options; and (iii) a notice of an extraordinary general meeting, will be dispatched to the Shareholders within 21 days of the date of this announcement. Mr. Lee and his associates will abstain from voting on the resolution to be proposed at the extraordinary general meeting in relation to the Subscription Agreement and the grant of the Options to Mr. Lee.

The Board also announces the resignation of Mr. Lau Hin Hung as an executive Director and one of the authorized representatives of the Company with effect from 5 January 2004.

The Directors noted the recent increases in the price and trading volume of the Shares and wish to state that they are not aware of any reasons for such increases.

## **APPOINTMENT OF EXECUTIVE DIRECTOR**

The Board is pleased to announce the appointment of Mr. Lee Kwok Ming as an executive Director on 5 January 2004.

### **Biography of Mr. Lee**

Mr. Lee Kwok Ming, aged 46, was the chief financial officer and an executive director of Tom.com Limited, a company listed on the Growth Enterprise Market of the Stock Exchange; and prior to that, was the chief financial officer of T Holdings Limited, an incubator company for technology-related projects. Prior to joining T Holdings Limited, Mr. Lee was the former chief financial officer, company secretary and executive vice president of Guangdong Kelon Electrical Holdings Company Ltd. He is a fellow of the Hong Kong Society of Accountants and an associate of the Chartered Institute of Management Accountants in the United Kingdom. Mr. Lee is also a member of the Institute of Directors. He holds a Master of Science degree in business administration from the University of Bath. Mr. Lee has more than 20 years of operational financial management experience and extensive experience in mergers and acquisitions, as well as corporate finance.

In addition to being an executive Director, Mr. Lee is also an independent non-executive director of Lianhua Supermarket Holdings Co., Ltd. and TravelSky Technology Limited.

## **The Service Agreement**

The Company has on 5 January 2004 entered into a service agreement with Mr. Lee for an initial period of two years commencing from 5 January 2004 (the “Effective Date”) which will be automatically renewed for subsequent periods of one year each, unless terminated by agreement with Mr. Lee or in accordance with the terms of the Service Agreement. Under the terms of the Service Agreement, either the Company or Mr. Lee may terminate the Service Agreement upon giving to the other party six months’ notice in writing. The Company may also terminate the Service Agreement without prior notice in certain circumstances, including if Mr. Lee is guilty of any dishonesty or serious misconduct, if he becomes bankrupt, if his actions harm the Group, if he persistently fails to perform his duties or if he breaches the Service Agreement and the breach materially prejudices the business of the Company.

Pursuant to the Service Agreement, Mr. Lee is entitled to:

- a basic salary of HK\$2.4 million per annum (subject to an annual increment at the discretion of the Board of not more than 25% of the annual salary prior to the increase); and
- a discretionary year-end bonus provided that aggregate amount of bonus payable to all the executive Directors for any financial year of the Company may not exceed 10% of the audited consolidated net profits of the Group (after taxation and minority interests but before extraordinary and exceptional items) in respect of that financial year provided that the audited consolidated net profits of the Group (after taxation and minority interests but before extraordinary and exceptional items) of that financial year exceeds HK\$20 million.

Mr. Lee shall not vote on any resolution of the Board regarding the increase in basic salary or the amount of discretionary year-end bonus payable to him.

As an incentive for Mr. Lee to join the Group, the Initial Management Shareholders have undertaken to Mr. Lee to transfer or procure the transfer by one or more than one of them an aggregate of 6,680,000 Shares, representing approximately 1.00% of the existing issued share capital of the Company, to Mr. Lee at nil consideration by way of gift. The Transferred Shares will be placed with an escrow agent to be appointed and will be transferred to Mr. Lee upon completion of the Initial Term. In the event, the appointment of Mr. Lee was terminated at any time prior to the expiration of the Initial Term, Mr. Lee will not be entitled to any of the Transferred Shares.

## **THE SUBSCRIPTION AGREEMENT**

On 5 January 2004, the Company and Mr. Lee entered into the Subscription Agreement, the principal terms of which are as follows:

- Parties : The Company and Mr. Lee
- Number of Subscription Shares : 7,752,000 new Shares, representing approximately 1.17% of the existing issued share capital of the Company and approximately 1.15% of the issued share capital of the Company as enlarged by the Subscription Shares.

Subscription price : HK\$0.31 per Subscription Share, representing:

- a discount of approximately 37.37% to the closing price of the Shares of HK\$0.495 per Share on 5 January 2004, the date of the Subscription Agreement; and
- a discount of approximately 4.17% to the average closing price of the Shares of HK\$0.3235 per Share for the ten trading days on the Stock Exchange immediately preceding the date of the Subscription Agreement.

The Subscription Price is determined by arm's length negotiation of the parties and determined by reference to the average closing price of the Shares for the ten trading days on the Stock Exchange immediately preceding the date of the Subscription Agreement.

The proceeds from the issue of the Subscription Shares in the aggregate amount of approximately HK\$2.4 million will be used as general working capital of the Group.

Conditions : Completion of the Subscription Agreement is conditional upon:

- the approval of the Subscription and the issue and allotment of the Subscription Shares by the Independent Shareholders; and
- the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Subscription Shares on the Main Board of the Stock Exchange,

in both cases on or before 27 February 2004.

Completion : Subject to the fulfilment of the conditions, completion of the Subscription shall take place in four tranches, as to 1,938,000 Subscription Shares each within seven business days after the expiration of each six-month period (the "Six-month Period"), with the first Six-month Period commencing from 5 January 2004, the date of the Service Agreement. Payment of the consideration for each tranche of the Subscription Shares shall be made by Mr. Lee to the Company on the business day following the expiration of a Six-month Period.

In the event, the appointment of Mr. Lee as an executive Director is terminated prior to the completion of the Subscription, the Company and Mr. Lee shall complete the subscription of a pro rata number of the Subscription Shares for the incomplete Six-month Period by reference to the

actual number of days lapsed since the last Six-month Period up to the date of termination of the appointment and the subscription of the remaining Subscription Shares shall lapse automatically from the date of termination of the appointment.

## THE GRANT OF OPTIONS

On 5 January 2004, the Company has granted the Options to Mr. Lee, the details of which are as follows:

- Date of grant : 5 January 2004 (the “Date of Grant”)
- Number of Shares subject to the Options : 20,000,000 Shares, representing approximately 3.01% of the existing issued share capital of the Company and approximately 2.92% of the issued share capital of the Company as enlarged by the Shares to be allotted and issued upon the exercise of the Options in full.
- Exercise price : HK\$0.495 per Share which is equivalent to the closing price of the Shares on the Stock Exchange on the Date of Grant.
- Option period : A period of five years commencing from the Date of Grant (the “Option Period”) provided that Mr. Lee shall only be entitled to exercise the subscription rights attaching to the Options to subscribe for not more than 5,000,000 Shares upon the occurrence of one of the events set out below:
- (i) upon the expiration of the twelve-month period commencing from the Effective Date;
  - (ii) the audited consolidated net profits after taxation and minority interests but before extraordinary and exceptional items of the Group for the financial year ending 30 June 2005 (the “2005 Final Results”) as shown in the audited final results of the Group for the financial year ending 30 June 2005 published by the Company as required under the Listing Rules is not less than HK\$25 million;
  - (iii) upon the expiration of the Initial Term; and
  - (iv) the audited consolidated net profits after taxation and minority interests but before extraordinary and exceptional items of the Group for the financial year ending 30 June 2006 (the “2006 Final Results”) as shown in the audited final results of the Group for the financial year ending 30 June 2006 published by the Company as required under the Listing Rules is not less than HK\$50 million.

In the event the 2005 Final Results and/or the 2006 Final Results is less than the respective amounts as stated in (ii) and (iv) above, the Options to subscribe for not more than 5,000,000 Shares upon the occurrence of each of the events stipulated in (ii) and (iv) above shall lapse automatically upon the publication of the 2005 Final Results and the 2006 Final Results, respectively; and upon the termination of the appointment of Mr. Lee, all Options that have become exercisable and not already exercised shall lapse automatically on the last actual working day of Mr. Lee with the Company in accordance with the rules of the Share Option Scheme.

The grant of the Options is subject to acceptance by Mr. Lee within 28 days from the Date of Grant and the payment of a consideration of HK\$1.00 for acceptance. The grant of the Options and the exercise of the Options will also be subject to the rules of the Share Option Scheme and the provisions of Chapter 17 of the Listing Rules.

As at the date of this announcement, the Company may grant options carrying the right to subscribe for a total of 66,517,000 Shares (without taking into account the Options to subscribe for 20,000,000 Shares granted to Mr. Lee), representing 10% of the existing issued share capital of the Company. As at the date of this announcement, there are options outstanding carrying the right to subscribe for a total of 45,958,500 Shares (without taking into account the Options to subscribe for 20,000,000 Shares granted to Mr. Lee), representing approximately 6.91% of the existing issued share capital of the Company.

## **REASONS FOR THE TRANSACTIONS**

The Group is principally engaged in the development and distribution of healthcare products in the PRC under the brand name, Vitop<sup>®</sup>, through its franchise distribution network in the PRC.

As stated in the annual report of the Company for the year ended 30 June 2003, it is the intention of the Group to devote additional resources for the enhancement of the Group's existing franchise distribution network in training staff and franchisees with a view to return the profits of the Group to the level of before the outbreak of the severe acute respiratory syndrome in spring 2003. The Board believes that the experience of Mr. Lee as senior management of various listed companies and his extensive experience in financial management and corporate finance and his network in the PRC will provide valuable contribution to the Group in achieving this goal. Accordingly, Mr. Lee is appointed as an executive Director with a designated role for internal financial control, development of strategic plans for business development and sale of the products of the Group. As an incentive for Mr. Lee to join the Group, the Initial Management Shareholders agree to transfer to Mr. Lee by way of gift the Transferred Shares. The Board believes that by becoming a Shareholder by virtue of the subscription of the Subscription Shares and the exercise of the Options, Mr. Lee will have additional incentive to contribute to the future growth and development of the Group as he will be able to share in such growth in his capacity as a Shareholder. Furthermore, the restrictions imposed on the exercise of the Options and the Subscription will ensure that Mr. Lee is being provided with adequate reward in

recognition of his contribution when the milestones are attained so as to encourage Mr. Lee to contribute to achieving the goal of the Group in its future growth.

## **GENERAL**

Prior to the transfer of the Transferred Shares, the entering into of the Subscription Agreement and the grant of the Options, Mr. Lee did not have any interests in the Shares, directly or indirectly, nor hold any options to subscribe for Shares granted under the Share Option Scheme.

The entering into of the Subscription Agreement constitutes a connected transaction for the Company under Rule 14.26(3) of the Listing Rules and is made subject to the approval of the Independent Shareholders. Mr. Lee and his associates will abstain from voting on the resolution to be proposed at the extraordinary general meeting in relation to the Subscription Agreement. The terms of the Subscription Agreement are determined after arm's length negotiation between the Company and Mr. Lee and the Directors, including the Independent Non-executive Directors considered the terms to be fair and reasonable in so far as the Company and the Shareholders are concerned. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

Rules 17.03(4) and 17.04 of the Listing Rules provide that any grant of options to a director shall be approved by the independent non-executive directors of the listed company and any grant of the options which would result in the grantee being interested in shares exceeding 1% of the issued share capital of the listed company in any 12-month period would have to be approved by shareholders other than the grantee and his associates. As Mr. Lee is a Director and as the Shares to be issued and allotted to Mr. Lee upon the exercise of the Options in full represent approximately 3.01% of the existing issued share capital of the Company, the grant of the Options has been approved by the Independent Non-executive Directors and will be subject to the approval of the Independent Shareholders. Under Rule 17.03(4) of the Listing Rules, Mr. Lee and his associates will abstain from voting on the resolution to be proposed at the extraordinary general meeting in relation to the grant of the Options to Mr. Lee.

A circular containing: (i) details of the appointment of Mr. Lee, the Subscription Agreement and the grant of the Options; (ii) a letter from the independent board committee and a letter from an independent financial adviser with its advice on the Subscription and the grant of the Options; and (iii) a notice of an extraordinary general meeting, will be dispatched to the Shareholders within 21 days of the date of this announcement.

## **RESIGNATION OF DIRECTOR AND CHANGE OF AUTHORIZED REPRESENTATIVE**

The Board also announces the resignation of Mr. Lau Hin Hung ("Mr. Lau") as a Director with effect from 5 January 2004. The Board takes this opportunity to thank the contribution of Mr. Lau to the Group during his term of office. Mr. Lau will remain as the financial controller of the Group.

With the appointment of Mr. Lee as an executive Director, Mr. Lee will also replace Mr. Lau as one of the authorized representatives of the Company.

## UNUSUAL PRICE AND TRADING VOLUME OF THE SHARES

The Directors noted the recent increases in the price and trading volume of the Shares and wish to state that they are not aware of any reasons for such increases.

Except otherwise disclosed in this announcement, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under paragraph 3 of the Listing Agreement, nor is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

### DEFINITION

In this announcement, unless otherwise defined, terms and expressions used herein shall have the following meanings:

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“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;
“connected person”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	Shareholders other than Mr. Lee and his associates;
“Initial Management Shareholder(s)”	Mr. Hung Kai So, Mr. Kam Ioi, Mr. Ma Yufeng, Ms. Sae-lao Rakchanok and Mr. Liu Jun, all of whom are executive Directors and are the initial management shareholders of the Company (as stated in the prospectus issued by the Company dated 25 January 2002) and are interested in 131,759,529 Shares, 108,231,043 Shares, 44,467,115 Shares, 47,056,975 Shares and 26,181,819 Shares representing approximately 19.81%, 16.27%, 6.69%, 7.07% and 3.94% of the existing issued share capital of the Company, respectively;
“Independent Non-executive Directors”	Mr. Yuan Tsu I and Mr. Huang Ming Da, both of whom are independent non-executive Directors;
“Initial Term”	the term of two years commencing from the Effective Date;
“Mr. Lee”	Mr. Lee Kwok Ming;

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	has the meaning ascribed thereto under the Listing Rules;
“Options”	the options to subscribe for 20,000,000 Shares granted by the Company to Mr. Lee on the Date of Grant;
“PRC”	The People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Service Agreement”	the service agreement dated 5 January 2004 entered into between the Company and Mr. Lee relating to the appointment of Mr. Lee as an executive Director, the particulars of which are set out in the paragraph headed “Appointment of executive Director — the Service Agreement” in this announcement;
“Share(s)”	share(s) of HK\$0.025 each;
“Shareholder(s)”	holder(s) of Share(s);
“Share Option Scheme”	the share option scheme adopted by the Company at an extraordinary general meeting held on 23 January 2003;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares under the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 5 January 2004 entered into between the Company and Mr. Lee relating to the Subscription, the particulars of which are set out in the paragraph headed “The Subscription Agreement” in this announcement;
“Subscription Shares”	an aggregate of 7,752,000 Shares; and
“Transferred Shares”	the 6,680,000 Shares to be transferred from one or more of the Initial Management Shareholders to Mr. Lee upon completion of the Initial Term.

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

Hong Kong SAR, 5 January 2004

\* *for identification purposes only*

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