

IMPORTANT

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 licensed securities 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, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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Vital BioTech Holdings Limited

維奧生物科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1164)

PROPOSAL FOR GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES, RE-ELECTION OF DIRECTORS AND NOTICE OF ANNUAL GENERAL MEETING

A notice convening the AGM (as defined herein) to be held at Caine Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 19 May 2008 (Monday) at 11:00 a.m. is set out on pages 14 to 17 of this circular.

Whether or not you are able to attend the AGM in person, you are requested to complete and return the accompanying form of proxy enclosed with this circular in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

18 April 2008

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

“AGM”	the annual general meeting of the Company to be convened and held at Caine Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 19 May 2008 (Monday) at 11:00 a.m., the notice of which is set out on pages 14 to 17 of this circular;
“Articles”	the articles of association of the Company as altered from time to time;
“Board”	the board of Directors;
“Company”	Vital BioTech 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;
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Issue Mandate”	a general and unconditional mandate to the Directors to exercise the power of the Company to allot, issue or otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the resolution approving this issue mandate at the AGM;
“Latest Practicable Date”	15 April 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Repurchase Mandate”	a general and unconditional mandate to the Directors to repurchase shares of the Company the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the resolution approving this repurchase mandate at the AGM;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

LETTER FROM THE BOARD



Vital BioTech Holdings Limited

維奧生物科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1164)

Directors:

Mr. Tao Lung (*Chairman*)
Mr. Huang Jianming (*Chief Executive Officer*)
Mr. Shen Songqing
Mr. Liu James Jin
Mr. Xu Xiaofan
Ms. Guo Lin
Mr. Lui Tin Nang*
Mr. Lee Kwong Yiu*
Mr. Chong Cha Hwa*

* *independent non-executive Directors*

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

Unit 7, 31st Floor
Tower 1, Lippo Centre
89 Queensway
Hong Kong

18 April 2008

To the Shareholders, and, for information only, holders of options

Dear Sir or Madam,

**PROPOSAL FOR GENERAL MANDATES TO ISSUE NEW SHARES
AND TO REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to the forthcoming AGM for the approval of, among others, (i) the proposed granting of the Issue Mandate and the Repurchase Mandate; (ii) the proposed extension of the Issue Mandate; and (iii) the proposed re-election of Directors at the forthcoming AGM. In addition, the purpose of this circular is to give you notice of the AGM to be convened for the purpose of considering and, if thought fit, passing, among others, the abovementioned resolutions.

LETTER FROM THE BOARD

GENERAL MANDATES TO ALLOT, ISSUE SHARES AND REPURCHASE SHARES

At the forthcoming AGM, ordinary resolutions will be proposed to renew the general mandates to the Directors so that the Directors will be empowered (i) to allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company, amounting to 310,211,398 shares, as at the date of passing such resolution, on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and up to the date of passing of such resolution at the AGM; (ii) to repurchase Shares, the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution; and (iii) to extend the Issue Mandate to the nominal amount (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 such resolution) of any Shares repurchased by the Company.

These general mandates will remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by Companies Law or the Articles; or (iii) the date upon which such an authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company. The Board wishes to state that they have no present intention to repurchase any Shares or issue any new Shares in the event that these general mandates are approved.

Under the Listing Rules, the Company is required to give all information to the Shareholders which is reasonably necessary to enable Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the Repurchase Mandate at the AGM. An explanatory statement for such purpose is set out in Appendix I to this circular.

RE-ELECTION OF DIRECTORS

In accordance with Article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specified term, shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Tao Lung, Mr. Shen Songqing, Mr. Lee Kwong Yiu and Mr. Lui Tin Nang will retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

In accordance with Article 112 of the Articles, any Director appointed during the year to fill a casual vacancy or as an additional Director shall hold office only until the following annual general meeting and shall then be eligible for re-election at the meeting, therefore, Ms. Guo Lin will retire from office at the forthcoming AGM and, being eligible, will offer herself for re-election.

Particulars of the Directors subject to re-election at the AGM are set out in Appendix II to this circular.

LETTER FROM THE BOARD

AGM

The notice convening the AGM is set out on pages 14 to 17 of this circular. At the AGM, ordinary resolutions will be proposed to approve, among others, the Issue Mandate, the Repurchase Mandate, the extension of the Issue Mandate and the re-election of Directors.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are intend to attend the AGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible but in any event, not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

PROCEDURE FOR DEMANDING A POLL

In accordance with Article 72 of the Articles, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (i) the Chairman of the meeting; or
- (ii) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the proposal for the Issue Mandate and the Repurchase Mandate and the extension of the Issue Mandate and the re-election of the Directors are in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Vital BioTech Holdings Limited
Tao Lung
Chairman

The following explanatory statement contains all the information required pursuant to Rule 10.06 of the Listing Rules to be given to all Shareholders relating to the resolution to be proposed at the forthcoming AGM authorising the Repurchase Mandate and to enable all Shareholders to make an informed decision whether to vote for or against the resolution to approve the grant of the Repurchase Mandate to the Directors.

1. EXERCISE OF THE REPURCHASE MANDATE

As at the Latest Practicable Date, the issued ordinary share capital of the Company comprised 1,551,056,993 Shares. Subject to the passing of the ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and up to the date of passing of such a resolution at the AGM, the Directors would be authorised to repurchase up to 155,105,699 Shares (being 10% of the Shares in issue) during the period up to (i) the next annual general meeting of the Company in 2009; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by Companies Law to be held; or (iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in a general meeting of the Company, whichever occurs first.

2. REASONS FOR REPURCHASE

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such repurchases when appropriate and beneficial to the Company. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the value of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders.

3. GENERAL

As compared with the financial position of the Company as disclosed in its most recent published audited consolidated financial statements as at 31 December 2007, the Directors consider that there might be a material adverse impact on the working capital or gearing position of the Company in the event that the proposed share repurchases were to be carried out in full during the proposed purchase period. However, the Board does not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of the Company.

4. FUNDING OF REPURCHASES

Repurchasing Shares must be made out of the funds legally available for such purpose in accordance with the Articles of the Company, the Companies Law and the applicable laws of the Cayman Islands and the Listing Rules. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for

settlement otherwise than in accordance with the Listing Rules. Under the Companies Law, repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of profit of the Company or out of the Company's share premium account, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Such purchase may not be made if, on the date the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention, in the event that the repurchase proposal is approved by the Shareholders, to sell Shares to the Company or its subsidiaries.

As at the Latest Practicable Date, no connected person of the Company had notified the Company that he/she had a present intention to sell Shares to the Company or its subsidiaries, or had undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases of its Shares pursuant to the Repurchase Mandate and in accordance with the Listing Rules and all applicable laws of the Cayman Islands, and in accordance with the regulations set out in the memorandum and articles of association of the Company.

6. EFFECT OF TAKEOVERS CODE

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

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, other than Perfect Develop Holding Inc. (whose shareholders include Mr. Tao Lung, Mr. Huang Jianming and Mr. Liu James Jin (all of them are executive Directors) holding 522,526,940 Shares, representing approximately 33.69% of the issued share capital as at the Latest Practicable Date, no other person had notified the Company that it had an interest of 10% or more of the issued share capital of the Company.

On the basis that 1,551,056,993 Shares were in issue as at the Latest Practicable Date and assuming there will be no further issue nor repurchase of Shares for the period from the Latest Practicable Date up to and including the date of the AGM, in the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding percentage of Perfect Develop Holding Inc. would be increased to approximately 37.43%. It is considered that Perfect Develop Holding Inc. and persons acting in concert (as defined in the Takeovers Code) with each of them, in such circumstances, may technically be obliged to make a mandatory offer in accordance with the Takeovers Code on account of the creeper provisions, subject to any exemptions available under the Takeovers Code. The Directors do not intend to exercise the Repurchase Mandate to repurchase Shares if that repurchase would result in the above persons becoming obliged to make a mandatory offer in accordance with the Takeovers Code or in the number of Shares which are in the hands of the public falling below 25% of the Company's issued share capital.

7. SHARE PURCHASE MADE BY THE COMPANY

The Company has not repurchased any of its Shares (whether on the Stock Exchange or otherwise) during the six months period immediately preceding the Latest Practicable Date.

8. SHARE PRICES

During each of the previous twelve calendar months immediately preceding the Latest Practicable Date, the highest and lowest prices at which the Shares had been traded on the Stock Exchange were as follows:

Months	Per Share	
	Highest HK\$	Lowest HK\$
2007		
March	0.229	0.135
April	0.270	0.193
May	0.510	0.230
June	0.510	0.370
July	0.650	0.350
August	0.530	0.330
September	0.440	0.365
October	0.410	0.350
November	0.385	0.305
December	0.380	0.305
2008		
January	0.365	0.232
February	0.320	0.260
March	0.280	0.180
April (up to the Latest Practicable Date)	0.240	0.180

The emoluments of all the executive Directors are recommended by the remuneration committee of the Company and are based on the working experience, skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as the remuneration benchmark in the industry and the prevailing market conditions. The emoluments of all the independent non-executive Directors are based on their professional skill and knowledge.

The following are the particulars of the Directors subject to re-election at the AGM:

Executive Directors

1. **Mr. Tao Lung**, aged 51, one of the founders of the Group, an executive Director, the chairman and authorised representative of the Company. He is also director of certain subsidiaries of the Company. Mr. Tao is responsible for overseeing the administration, overseas procurement and finance strategy of the Group. Mr. Tao holds a bachelor degree and a master degree in medicine from Chengdu Chinese Medical Institute of China in 1983 and 1989 respectively. Subsequently he became a doctor in the affiliated hospital of the Institute. Mr. Tao was a consultant to several medical companies and at present an instructor of the Chinese Medicine Course of Baptist University of Hong Kong. He is the controlling shareholder and the director of Perfect Develop Holding Inc., a substantial Shareholder. He joined the Group since its establishment in April 1998.

As at the Latest Practicable Date, save as aforesaid, Mr. Tao did not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company and did not hold any directorship in other listed companies in the past three years and position in the Group.

As at the Latest Practicable Date, Mr. Tao was interested in 558,418,588 Shares (being 35,891,648 Shares directly held by him and 522,526,940 Shares held through Perfect Develop Holding Inc., a corporation of which he has 58.28% shareholding) and 15,000,000 share options within the meaning of Part XV of the SFO. Mr. Tao is entitled to a monthly salary of approximately HK\$80,000 and has entered into a service agreement with the Company for an initial term of two years which will continue thereafter until terminated by either party to the other with not less than three months' notice in writing in accordance with the terms of the agreement. He, together with other executive Directors, is entitled to a discretionary management bonus provided that the aggregate amount of the discretionary management bonus payable to all the executive Directors for any financial year may not exceed 10% of the audited profit attributable to the Shareholders in respect of that financial year. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

2. **Mr. Shen Songqing**, aged 47, one of the founders of the Group and an executive Director. He is a director of Vital Pharmaceuticals (Sichuan) Co. Ltd., a subsidiary of the Company. He is responsible for planning and deciding the marketing strategy of the Group. He graduated from Chengdu Chinese Medicine Institute of China in 1983. Mr. Shen has over 24 years experience in sales and marketing of drugs. He joined the Group since its establishment in April 1998.

As at the Latest Practicable Date, save as aforesaid, Mr. Shen did not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company and Mr. Shen did not hold any directorship in other listed companies in the past three years and position in the Group.

As at the Latest Practicable Date, Mr. Shen was interested in 12,160,000 Shares and 8,500,000 share options within the meaning of Part XV of the SFO. Mr. Shen is entitled to a monthly salary of HK\$80,000 and has entered into a service agreement with the Company for an initial term of two years which will continue thereafter until terminated by either party to the other with not less than three months' notice in writing in accordance with the terms of the agreement. He, together with other executive Directors, is entitled to a discretionary management bonus provided that the aggregate amount of the discretionary management bonus payable to all the executive Directors for any financial year may not exceed 10% of the audited profit attributable to the Shareholders in respect of that financial year. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

3. **Ms. Guo Lin**, aged 44, an executive Director and the vice president of the Group. She is the chairman of Vital Pharmaceuticals (Sichuan) Co. Ltd., a subsidiary of the Company and also director of certain subsidiaries of the Company. Ms. Guo holds a bachelor degree in economics from Hunan Finance and Economics Institute in 1984 and a master degree from Zhongnan Industrial University in 1993. She was a lecturer in Hunan Finance and Economics Institute and Zhongnan Industrial University and also worked as a manager of an investment bank. Ms. Guo joined the Group in 2001. She is appointed as an executive Director on 1 January 2008.

As at the Latest Practicable Date, save as aforesaid, Ms. Guo did not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company and did not hold any directorship in other listed companies in the past three years and position in the Group.

As at the Latest Practicable Date, Ms Guo was interested in 11,500,000 share options within the meaning of Part XV of the SFO. Ms Guo is entitled to a monthly salary of HK\$80,000 and has entered into a service agreement with the Company for an initial term of two years which will continue thereafter until terminated by either party to the other with not less than three months' notice in writing in accordance with the terms of the agreement. She, together with other executive Directors, is entitled to a discretionary management bonus provided that the aggregate amount of the discretionary management bonus payable to all the executive Directors for any financial year may not exceed 10% of the audited profit attributable to the Shareholders in respect of that financial year. She, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

Independent Non-executive Director

1. **Mr. Lee Kwong Yiu**, aged 45, is a practicing solicitor in Hong Kong since 1994. He holds professional qualification as a solicitor of the High Court of Hong Kong and an associate of the Chartered Institute of Arbitrators. On 20 April 2006, Mr. Lee was appointed by the Ministry of Justice of the People's Republic of China as a China-Appointed Attesting Officer. Mr. Lee was appointed as an independent non-executive Director in January 2002. He is currently the independent non-executive director of Sun Hing Vision Group Holdings Limited, a company listed on the main board of the Stock Exchange. Save for aforesaid, Mr. Lee had not held any directorships in other listed companies in the past three years.

As at the Latest Practicable Date, Mr. Lee did not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company and Mr. Lee did not hold any other position in the Group.

As at the Latest Practicable Date, Mr. Lee was interested in 1,500,000 Shares or underlying Shares within the meaning of Part XV of the SFO. Mr. Lee entered into a contract of service with the Company commencing on 1 January 2008 for a term of two years and will be subject to retirement by rotation and re-election at least once every three years at annual general meeting of the Company. As at the Latest Practicable Date, Mr. Lee was entitled to a nominal monthly director fee of HK\$20,000. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

2. **Mr. Lui Tin Nang**, aged 50, is a qualified accountant. Mr. Lui obtained a bachelor degree in science from the University of Leeds and a master degree in business administration from the University of Bradford in United Kingdom. Mr. Lui is a FCPA (Practicing) of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Management Accountant. He has years of experience in accounting, auditing, taxation and corporate finance. Mr. Lui was appointed as an independent non-executive Director in July 2002. He is currently the independent non-executive director of B M Intelligence International Limited, a company listed on the Growth Enterprise Market of the Stock Exchange and China Pipe Group Limited, a company listed on the main board of the Stock Exchange. He is also an ex-independent non-executive director of Zhejiang Yonglong Enterprises Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Save as aforesaid, Mr. Lui had not held any directorships in other listed companies in the past three years.

As at the Latest Practicable Date, Mr. Lui did not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company and Mr. Lui did not hold any other position in the Group.

As at the Latest Practicable Date, Mr. Lui was not interested in any Shares or underlying Shares within the meaning of Part XV of the SFO. Mr. Lui entered into a contract of service with the Company commencing on 1 January 2008 for a term of two years and will be subject to retirement by rotation and re-election at least once every three years at annual general meeting of the Company. As at the Latest Practicable Date, Mr. Lui was entitled to a nominal monthly director fee of HK\$20,000. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share base payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

Save as disclosed above, the Board is not aware that there are any other matters that need to be brought to the attention of the Shareholders.

There is no other information which is required to be disclosed pursuant to any of the requirements under Rule 13.51(2) (h) to (v) of the Listing Rules in respect of re-election of these Directors.

NOTICE OF ANNUAL 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)

(Stock Code: 1164)

NOTICE IS HEREBY GIVEN that the annual general meeting of Vital BioTech Holdings Limited will be held at Caine Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 19 May 2008 (Monday) at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditors of the Company for the year ended 31 December 2007.
2.
 - (a) To re-elect Mr. Tao Lung as an executive director of the Company;
 - (b) To re-elect Mr. Shen Songqing as an executive director of the Company;
 - (c) To re-elect Ms. Guo Lin as an executive director of the Company;
 - (d) To re-elect Mr. Lee Kwong Yiu as an independent non-executive director of the Company;
 - (e) To re-elect Mr. Lui Tin Nang as an independent non-executive director of the Company; and
 - (f) To authorise the Board of Director to fix the remuneration of the Directors.
3. To re-appoint Auditors and to authorise the Board of Director to fix their remuneration.

As special businesses, to consider, and if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

4. **“THAT**
 - (a) subject to paragraph (b) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (**“Listing Rules”**), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company

NOTICE OF ANNUAL GENERAL MEETING

and to make, issue or grant offers, agreements and options which will or might require the shares of the Company to be allotted, issued or disposed of during or after the ended of the Relevant Period be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of the subscription rights granted under the share option scheme of the Company or (iii) an issue of shares as scrip dividends pursuant to the memorandum and articles of association of the Company from time to time shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (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 memorandum and articles of association of the Company or any applicable law of the Cayman Islands to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company thereof on the register of members on a fixed record date in proportion to their then holdings of such shares thereof (subject to such exclusion or other arrangements as the 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 recognized regulatory body or any stock exchange in any territory applicable to the Company).”

5. “**THAT**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares, subject to and in accordance with all other applicable laws in this regard, be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate nominal amount of shares of the Company which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the authority pursuant to paragraph (a) above of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earlier of:

- (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 memorandum and articles of association of the Company or any applicable law of the Cayman Islands to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
6. “**THAT** conditional upon resolutions numbered 4 and 5 above being passed, the general mandate granted to the Directors to allot, issue and deal with any additional shares of the Company be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in ordinary resolution no. 5 above to purchase such shares, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to resolution no. 4 above.”

As at the date of this notice, the Board comprises six executive Directors: Mr. Tao Lung, Mr. Huang Jianming, Mr. Shen Songqing, Mr. Liu James Jin, Mr. Xu Xiaofan and Ms. Guo Lin and three independent non-executive Directors: Mr. Lui Tin Nang, Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

Yours faithfully,
For and on behalf of the Board of
Vital BioTech Holdings Limited
Tao Lung
Chairman

Hong Kong, 18 April 2008

NOTICE OF ANNUAL GENERAL MEETING

Head office and principal office in Hong Kong:

Unit 7, 31st Floor
Tower 1, Lippo Centre
89 Queensway
Hong Kong

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, in the event of a poll, to vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and together with the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's Hong Kong branch share registrar, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof.
- (2) For the purpose of determining the Shareholders who are entitled to attend and vote at the meeting convened by the above notice, the Register of Members of the Company will be closed for a period commencing from 13 May 2008 to 19 May 2008, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 9 May 2008.
- (3) In relation to the proposed resolution numbered 4 above, approval is being sought from the members for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Board has no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company.
- (4) In relation to the proposed resolution numbered 5 above, the Board wishes to state that it will exercise the powers conferred thereby to purchase shares in circumstances which they deem appropriate for the benefit of the members.
- (5) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.