

**VITAL BIOTECH HOLDINGS LTD:  
A ONE-PRODUCT COMPANY WITH ONE MAJOR CUSTOMER**

The debts are piling up for publicly listed Vital BioTech Holdings Ltd (Code: 1164, Main Board, The Stock Exchange of Hongkong Ltd) and one cannot help but wonder how long it will take before the Company pitches a Rights Issue or seeks funding via some other *'instrument'*.

Vital BioTech went public on the Main Board on June 30, 2003, when it listed its entire Issued and Fully Paid-Up Share Capital by way of, what is known in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), as an *'Introduction'*.

The listing on the Main Board followed its listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd in early 2002.

At the time of its listing, **TARGET** analysed the Company in our exclusive report of February 20, 2002, Volume IV, Number 20, headlined: [\*\*\*'VITAL BIOTECH HOLDINGS LTD: OPIN OR OSTEOFORM, ANYBODY?'\*\*\*](#)

Clearly disheartened by the Company's reception on The GEM, Management of Vital BioTech went to the Main Board in search of better and easier pickings.

In February 2002, this Company raised about \$HK96 million in a private Share Placement so that, at the time of its Introduction on the Main Board, about 35 percent of its entire Issued and Fully Paid-Up Share Capital was in the hands of the investing public.

While, as at April 30, 2003, the total indebtedness of Vital BioTech stood at about \$HK94.50 million, 26 days later, on May 26, 2003, it had raised another \$HK15.60 million from its bankers for *'general working capital purpose.'* (Page AI-48 of the Company's Prospectus)

When a company has to go, begging, cup in hand, for a loan from its bankers for general working capital purposes, it says a lot, in **TARGET's** opinion.

The following are the *'Subsequent Events'* (following the shut-off date of the data, compiled and presented in the Prospectus):

*'The following significant events took place subsequent to 31 December 2002:*

- (a) On 3 April 2003, a wholly owned subsidiary, Vital BioTech (Shanghai) Company Limited was established. The subsidiary has a registered capital of HK\$2,000,000 and is a wholly foreign owned enterprise established in the PRC. As of the date of this report, HK\$500,000 of the registered capital was paid.*
- (b) On 13 May 2003, the Directors approved the issue and allotment of 50,114,901 shares of the Company credited as fully paid in connection with the final dividend of the Company for the year ended 31 December 2002 ("2002 Final Dividend"). The 2002 Final Dividend was partly settled by scrip shares (sic) amounting to approximately HK\$10,023,000 and partly settled by cash amounting to approximately HK\$2,250,000 on 16 May 2003.*

(c) *On 26 May 2003, a subsidiary of the Company obtained a term loan facility of HK\$15.6 million from a bank for general working capital purpose. The facility was secured by bank deposits of approximately HK\$4.7 million, investment securities of approximately HK\$3.9 million and cross guarantees provided by the Company and certain subsidiaries.'*

Therefore, it is clear that the payment of the 2002 Final Dividend was financed via fresh bank borrowings. At the time that ... [CLICK TO ORDER FULL ARTICLE](#)

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