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維奧集團控股有限公司
Vital Group Holdings Limited

(Incorporated in Cayman Islands with limited liability)

(Stock code: 1164)

DISCLOSEABLE TRANSACTION
DISPOSAL OF VITAL PHARMACEUTICALS (SICHUAN) CO., LTD

THE DISPOSAL

The Board announced that on 16 August 2011, Yugofoil, a wholly-owned subsidiary of the Company, as vendor and Bright Future as purchaser entered into the Agreement, pursuant to which Yugofoil has agreed to dispose of and Bright Future has agreed to acquire the Sale Interest of the Target at an aggregate consideration of HK\$51,000,000.

LISTING RULES IMPLICATIONS

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announced that on 16 August 2011, Yugofoil, a wholly-owned subsidiary of the Company as vendor and Bright Future as purchaser entered into the Agreement, pursuant to which Yugofoil has agreed to dispose of and Bright Future has agreed to acquire the Sale Interest of the Target at an aggregate consideration of HK\$51,000,000.

THE AGREEMENT

Date 16 August 2011

Parties

- (1) Vendor: Yugofoil, a wholly-owned subsidiary of the Company
- (2) Purchaser: Bright Future

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bright Future and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons (as defined in the Listing Rules). Save that Mr. Wong Cheong Moon, a director of Bright Future who is currently holding 31,465,000 Shares of the Company, representing approximately 1.89% of the existing issued share capital of the Company as at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Bright Future and its associates (as defined in the Listing Rules) does not hold any Shares of the Company as at the date of this announcement.

Assets to be disposed

The Sale Interest, being the entire equity interest of the Target.

The Vendor and the Purchaser agree that the Sale Interest includes the fixed assets and intangible assets as listed out in the balance sheet of the Target as at 30 June 2011. The remaining assets and liabilities, including but not limited to accounts receivables, prepayment and deposits, accounts payable and accruals will be assigned back to the Vendor on Completion.

Consideration

The Consideration for the Disposal is HK\$51,000,000. The Consideration will be settled as follows:

- (a) a deposit of HK\$5,000,000 (the "**Deposit**") shall be paid by the Purchaser to the Vendor within 7 Business Days from the date of the Agreement;
- (b) 20% of the Consideration in the sum of HK\$10,200,000 shall be paid by the Purchaser to the Vendor within 3 Business Days after the completion of the due diligence of the Target; and
- (c) the balance of the Consideration in the sum of HK\$35,800,000 shall be paid by the Purchaser to the Vendor after the approval by the relevant governmental authorities regarding the transfer of the Sale Interest, the registration of change of legal representatives and amendment of the business licenses with the relevant authorities in the PRC.

The Consideration has been arrived at after arm's length negotiations between the Purchaser and the Vendor and was determined with reference to the appraised value of the fixed assets and intangible assets of the Target as at 30 June 2011 in the amount of RMB42,036,000 (equivalent to approximately HK\$50,443,200). The Directors, including independent non-executive Directors, consider the Consideration as fair and reasonable to the Company and its Shareholders as a whole.

Conditions precedent

Completion of the Disposal is subject to the fulfillment of the following conditions precedent:

- (a) the warranties provided by the Vendor under the Agreement shall be true, accurate and complete in all respects on and as of the Completion Date;
- (b) the completion of the cessation of operation, clearance and deregistration of Vital Health Supplement prior to the Completion Date;
- (c) any and all authorizations, approvals, consents or permits of any competent authority or of any third party that are required to be obtained by the Target before the Completion Date in connection with the transactions contemplated under the Agreement shall have been duly obtained and effective as of the Completion Date; and
- (d) the Split of Vital Pharmaceuticals (Sichuan) having been completed.

The Purchaser shall have the right to waive any of the above conditions save and except for conditions (c) and (d) above.

Long Stop Date

If all of the conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 31 December 2011 (or such later date as the Purchaser and the Vendor may agree), the Agreement shall cease and terminate and neither party shall have any obligations towards each other save for any antecedent breach. The Vendor shall return the Deposit, without interest, to the Purchaser within 3 Business Days after the date of termination.

Completion

Completion shall take place on the tenth Business Day after all the conditions as stated in the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

Upon Completion, the Target will no longer be an indirectly wholly-owned subsidiary of the Company.

INFORMATION ON THE TARGET

Vital Pharmaceuticals (Sichuan) was incorporated on 8 January 1998 in the PRC and is currently engaged in the business of the manufacturing and sales of pharmaceutical products, raw materials and healthy food products. The registered capital of Vital Pharmaceuticals (Sichuan) is US\$36,800,000 (equivalent to approximately HK\$287,040,000). As at the date of this announcement, the entire equity interest is held by Yugofoil.

As at the date of this announcement, Vital Pharmaceuticals (Sichuan) currently holds the entire equity interest of four subsidiaries which are all established in the PRC, namely, Vital Health Supplement, Sichuan Hengtai, Vital Property and Vital (Chengdu) Pharmaceutical. As at the date of this announcement, an agreement has been entered into whereby the entire equity interest of Vital (Chengdu) Pharmaceutical will be disposed of to an independent third party.

Vital Pharmaceuticals (Sichuan) has applied to the relevant government authorities for the Split on 19 July 2011. Upon completion of the Split, Vital Pharmaceuticals (Sichuan) will be split into 2 companies, namely, the Target and a newly established company, Vital Industrial.

After completion of the Split, the Target will continue to hold the entire equity interest in Vital Health Supplement and Vital Industrial will hold the entire equity interest in Sichuan Hengtai and Vital Property. Upon the deregistration of Vital Health Supplement, the Target will cease to hold the entire equity interest in Vital Health Supplement.

INFORMATION OF THE PURCHASER

Bright Future is incorporated in the British Virgin Islands and is currently engaged in the business of investment holding.

REASONS FOR THE DISPOSAL

As at the date of this announcement, the principal activities of the Group are selling, distributing and manufacturing of pharmaceutical and food products and property investment.

As disclosed in the Company's announcement dated 4 August 2011, the Group's food product, Osteoform compound calcium amino acid chelate food capsule ("**Osteoform Food Product**"), is a food product whose nutrition can facilitate the absorption of calcium by human body and help to formulate bone matrix and maintain bone density. The Group discovers that since June 2011, there has been a substantial drop in the sales of Osteoform Food Product. Also, due to an integration of production lines, there are idle plants and equipment owned by Vital Pharmaceuticals (Sichuan). The Directors consider that it would be beneficial and cost effective to the Company and the Shareholders to dispose of the idle plants and machineries at the Consideration.

The Directors, including the independent non-executive Directors, consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

The financial figures of the Target for the year ended 31 December 2009 and 31 December 2010 are summarized as follows:

	For the year ended 31 December 2009 (HK\$'000)	For the year ended 31 December 2010 (HK\$'000)
Profit/(loss) before taxation	<u>27,695</u>	<u>(24,889)</u>
Profit/(loss) after taxation	<u>21,890</u>	<u>(24,889)</u>
		As at 30 June 2011 (HK\$'000)
Net asset value		<u>65,533</u>

As at 30 June 2011, the Group's share of net asset of the Target based on unaudited figures was approximately HK\$65,533,000. The estimated unaudited net gain on the Disposal is approximately HK\$2,268,000. The estimated unaudited net gain on disposal is arrived by adding back the assets assigned back to the Vender upon the Completion, amounting to approximately HK\$61,713,000 to and deducting the Group's share of net asset of the Target of approximately \$65,533,000 and the liabilities assigned back to the Vender upon the Completion, amounting to approximately HK\$44,912,000 from the Consideration received in respect of the Disposal.

USE OF PROCEEDS

The net proceeds of the Disposal is currently intended to be used by the Group for general working capital purpose. As at the date of this announcement, the Company has not identified any suitable investment opportunities and is not in discussions for any investment projects. The Company will make announcement in compliance with the requirements of the Listing Rules as and when appropriate.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules are more than 5% and below 25%, the Disposal constitutes a discloseable transaction of the Company.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Agreement”	an agreement dated 16 August 2011 entered into between Yugofoil and Bright Future in relation to the Disposal
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bright Future”	Bright Future Pharmaceutical Holdings Limited, a company incorporated under the laws of the British Virgin Islands and the purchaser to the Agreement
“Business Day”	a day (not being a Saturday, Sunday, public holidays or days on which typhoon signal number 8 or above or black rainstorm warning is hoisted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
“Company”	Vital Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange (stock code: 1164)
“Completion”	completion of the Disposal
“Completion Date”	the tenth Business Day after all the conditions as stated in the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser
“Consideration”	has the meaning given to it in the section headed “Consideration” in this announcement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Interest of the Target to Bright Future
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Sale Interest”	the entire equity interest of the Target
“Shares”	the ordinary shares of HK\$0.01 each of the Company
“Shareholder(s)”	holder(s) of Shares
“Sichuan Hengtai”	四川恒泰醫藥有限公司 (Sichuan Hengtai Pharmaceutical Co., Ltd.*), a company established in the PRC, which will be owned by Vital Industrial after completion of the Split
“Split”	the application to the relevant government authorities to split Vital Pharmaceuticals (Sichuan) into two entities, namely the Target and Vital Industrial
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	the entity 四川維奧製藥有限公司 (Vital Pharmaceuticals (Sichuan) Co., Ltd.) after completion of the Split
“Vital (Chengdu) Pharmaceutical”	維奧(成都)製藥有限公司 (Vital (Chengdu) Pharmaceutical Co., Ltd.*), a company established in the PRC
“Vital Health Supplement”	四川維奧保健品有限公司 (Sichuan Vital Health Supplement Co., Ltd.*), a company established in the PRC, which will be owned by the Target after completion of the Split and will cease to be owned by the Target after completion of the deregistration
“Vital Industrial”	四川維奧實業有限公司 (Sichuan Vital Industrial Co., Ltd.*), a company which will be established in the PRC as a result of the Split of Vital Pharmaceuticals (Sichuan)
“Vital Pharmaceuticals (Sichuan)”	四川維奧製藥有限公司 (Vital Pharmaceuticals (Sichuan) Co., Ltd) a company established in the PRC and as at the date of this announcement, an indirect wholly-owned subsidiary of the Company which is in the process of applying for the Split
“Vital Property”	成都維奧置業有限公司 (Chengdu Vital Property Co., Ltd.), a company established in the PRC, which will be owned by Vital Industrial after completion of the Split
“Yugofoil” or “Vendor”	Yugofoil Holdings Limited, a company established under the laws of British Virgin Islands and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“US\$” the United States dollars, the official currency of the United States of America

“%” per cent.

If there is any inconsistency between the Chinese names of PRC entities or titles mentioned in this announcement and their English translation, the Chinese version shall prevail.

By Order of the Board
Vital Group Holdings Limited
Chen Zhiyu
Executive Director

Hong Kong, 16 August 2011

As at the date of this announcement, the board of directors of the Company comprises six executive directors: Mr. Xu Xiaofan, Mr. Chen Zhiyu, Madam Guo Lin, Mr. Huang Zemin, Mr. Li Ke and Mr. Liu James Jin and three independent non-executive directors: Mr. Lui Tin Nang, Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00: HK\$1.20. All amounts denominated in US\$ have been translated into HK\$ using the exchange rate of US\$1.00=HK\$7.80. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

* *For identification purposes only*