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*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 01164)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO  
FORMATION OF A JOINT VENTURE  
AND  
RESUMPTION OF TRADING**

**FORMATION OF A JOINT VENTURE**

On 10 May 2010, Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen entered into the JV Agreement pursuant to which Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen will procure to establish the JV Company for the holding and development of the Land. The JV Company will be owned as to 33% by Vital Chengdu, as to 33% owned by Chengdu Zhonghe and as to 34% owned by Sichuan Xiwen.

**LISTING RULES IMPLICATIONS**

As the relevant percentage ratios under the Listing Rules in respect of the formation of the JV Company exceed 5% but are less than 25%, the formation of the JV Company constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

**RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 7 May 2010 pending the publication of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange at 9:30 a.m. on 12 May 2010.

## INTRODUCTION

The Board wishes to announce that on 10 May 2010, Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen entered into the JV Agreement, pursuant to which Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen will procure to establish the JV Company for the holding and development of the Land. The JV Company will be owned as to 33% by Vital Chengdu, as to 33% owned by Chengdu Zhonghe and as to 34% owned by Sichuan Xiwen.

## THE JV AGREEMENT

Date : 10 May 2010

Parties : (i) Vital Chengdu;  
(ii) Chengdu Zhonghe; and  
(iii) Sichuan Xiwen

To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, each of the JV Partners and its respective beneficial owners is a third party independent of the Company and its connected person.

The principal terms of the JV Agreement are set out below:

Name of the JV Company : Chengdu Wenjiang Vital Property Development Company Limited, a company to be incorporated in the PRC with limited liability

Scope of business of, and purpose of setting up, the JV Company : Upon duly establishment of the JV Company pursuant to the JV Agreement, the JV Company will be principally engaged in property development and management. It is the intention of Vital Chengdu, Chengdu Zhonghe and Sichuan Ximen to establish the JV Company for the purpose of holding and development of the Land.

Registered capital : The registered capital of the JV Company is RMB20 million. Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen will contribute RMB6.6 million, RMB6.6 million and RMB6.8 million to the JV Company respectively.

Based on the contributions as abovementioned, the JV Company will be owned as to 33% by Vital Chengdu, as to 33% owned by Chengdu Zhonghe and as to 34% by Sichuan Xiwen.

Pursuant to the JV Shareholders' Agreement to be entered into between Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen, the capital contribution in the JV Company by each of the parties will be proportionate to their respective equity interests in the JV Company.

- Profit distribution : The profits available for distribution of the JV Company will be distributed to Vital Chengdu and the JV Partners in proportion to their respective equity interests in the JV Company.
- Board composition : The board of JV Company shall comprise three members. Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen shall each appoint one member to the board. The chairman of the board shall be appointed by Sichuan Xiwen.

The Company intends to finance the capital contribution of the JV Company from its internal resources.

Upon completion, the JV Company will be an associated company of the Company and its financial results will be equity-accounted in the future financial statements of the Group.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY**

As at the date of this announcement, the Group is principally engaged in the research and development, distribution, sale and manufacture of pharmaceutical products.

The Directors have been continuing in exploring suitable business opportunities to broaden the revenue base and to diversify the business scope of the Company. The bid for the Land represents an opportunity to tap into the PRC property market and the Board is of the view that such opportunity would enhance the Shareholders' value in the long run.

On 6 May 2010, the Agent received the Confirmation Letter from 成都市國土資源局 (Chengdu Bureau of Land Resources) confirming that the Agent, a wholly-owned subsidiary of the Company, and the JV Partners, had made a successful bid for the acquisition of the Land located in Wenjiang District, Chengdu, the PRC from Chengdu Bureau of Land Resources, a PRC governmental bureau in charge of the management of land resources in Wenjiang, at an auction for an aggregate consideration of approximately RMB204.6 million (equivalent to approximately HK\$233.2 million) and will be settled in cash. Upon the formation of the JV Company, the JV Company will enter into the formal Land Grant Contract with the Chengdu Bureau of Land Resources.

The Land is located in the Wancheng Community, Liucheng Street, Wenjiang District, Chengdu, the PRC (中國成都市溫江區柳城街辦萬盛社區) with a total site area of approximately 49,595.3 square meters. The Land is designated for integrated residential and commercial use. The terms for the grant of the land use right of the Land for residential use and commercial use are 70 years and 40 years respectively.

As at the date hereof, the Company through the Agent has deposited RMB27.0 million to Chengdu Bureau of Land Resources as the security deposit on 27 April 2010 (the “Security Deposit”) for the purpose of participating in the auction and approximately RMB1.9 million as the auction service charge. The Security Deposit can be used to offset against the consideration of the Land upon success of the bid. Pursuant to the JV Agreement, the remaining balance for the consideration of the Land will be satisfied in proportion to the Company and the JV Partners’ contributions to the registered capital of the JV Company as well as shareholders’ loan and/or bank finance by the JV Company as appropriate.

The Directors consider that the unique location of the Land, which is surrounded by a number of universities and colleges and with a significant number of teachers, university students and young entrepreneurs, the Board is of the view that the Land is of outstanding development potential. As such, the Directors consider that the acquisition of the Land is a viable investment and will broaden the asset and earnings bases of, and will be beneficial to the Company and its Shareholders as a whole.

The Directors are of the view that the terms of the formation of the JV Company are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the relevant percentage ratios under the Listing Rules in respect of the formation of the JV Company exceeds 5% but are less than 25%, the transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The JV Company is now being formed and in the event that the JV Company fails to be formed, the Company will comply with the relevant provisions of the Listing Rules as and when appropriate.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 7 May 2010 pending the publication of this announcement. Application has been made for the resumption of trading in the Shares on the Stock Exchange at 9:30 a.m. on 12 May 2010.

## DEFINITIONS

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

“Agent”	Vital Pharmaceuticals (Sichuan) Co., Ltd. (四川維奧製藥有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Chengdu Zhonghe”	Chengdu Zhonghe Management Company Limited* (成都眾合高新企業管理有限公司), a company incorporated in the PRC with limited liability
“Company”	Vital Pharmaceutical 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
“Confirmation Letter”	the confirmation letter received by the Agent on 6 May 2010, to confirm the successful bidding of the Land from the Chengdu Bureau of Land Resources
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement dated 10 May 2010 entered into between Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen in relation to, among others, the formation of the JV Company
“JV Company”	Chengdu Wenjiang Vital Property Development Company Limited* (成都溫江維奧房地產開發有限公司), a joint venture company to be incorporated in the PRC which will be owned as to 33% by Vital Chengdu, 33% by Chengdu Zhonghe and 34% by Sichuan Xiwen for the development of the Land
“JV Partners”	Chengdu Zhonghe and Sichuan Xiwen

“JV Shareholders’ Agreement”	the shareholders’ agreement to be entered into between Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen in relation to the respective rights and obligations of the Company and the JV Partners in the JV Company
“Land”	a piece of land successfully bid by the Agent located at the Wancheng Community, Liucheng Street, Wenjiang District, Chengdu, the PRC (中國成都市溫江區柳城街辦萬盛社區) with a total site area of 49,595.3 square meters. The land is designated for integrated residential and commercial use. The terms for the grant of the land use right of the Land for residential use and commercial use are 70 years and 40 years respectively
“Land Grant Contract”	國有建設用地使用權出讓合同, the contract to be entered into between the JV Company and Chengdu Bureau of Land Resources for the acquisition of the land use right in relation to the Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Sichuan Xiwen”	Sichuan Xiwen Technology Company Limited* (四川西文科技有限公司), a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vital Chengdu”	Vital Pharmaceutical (Chengdu) Co, Ltd* (維奧(成都)製藥有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board  
**VITAL PHARMACEUTICAL HOLDINGS LIMITED**  
**Xu Xiaofan**  
*Chairman*

Hong Kong, 11 May 2010

*As at the date of this announcement, the Board 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. Lee Kwong Yiu, Mr. Lui Tin Nang 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\$1.14. 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*