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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01164)

MAJOR TRANSACTION
DISPOSAL OF CHENGDU WENJIANG VITAL PROPERTY
DEVELOPMENT COMPANY LIMITED

THE LAND DISPOSAL

The Board announced that on 29 July 2011, Vital Property, as the Vendor, entered into the Agreement with Sichuan Longhe as the Purchaser and the Target, pursuant to which Vital Property has agreed to dispose of and Sichuan Longhe has agreed to acquire the Sale Interest and the Sale Loan of the Target at an aggregate consideration of RMB230,609,000 (equivalent to approximately HK\$276,730,800).

LISTING RULES IMPLICATIONS

Given that one of the applicable percentage ratios for the Disposal represents 25% or more but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules. The Disposal is therefore subject to the requirements of reporting, announcement and Shareholders' approval pursuant to Chapter 14 of the Listing Rules.

EGM

As no Shareholder has any material interest in the Disposal, no Shareholder is required to abstain from voting in relation to the resolutions to be proposed at the EGM to approve the Disposal.

A circular containing, among other things, further details of the Disposal, a valuation report of the Land together with a notice convening the EGM is expected to be despatched to the Shareholders on or before 19 August 2011 in accordance with the Listing Rules.

INTRODUCTION

The Board announced that on 29 July 2011, Vital Property has entered into the Agreement with Sichuan Longhe and the Target, pursuant to which Vital Property has agreed to dispose of and Sichuan Longhe has agreed to acquire the Sale Interest and the Sale Loan of the Target at an aggregate consideration of RMB230,609,000 (equivalent to approximately HK\$276,730,800).

THE AGREEMENT

Date 29 July 2011

Parties

- (1) Vendor: Vital Property, a wholly-owned subsidiary of the Company
- (2) Purchaser: Sichuan Longhe. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Sichuan Longhe and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best of the Directors' knowledge and belief having made all reasonable enquiries, each of Sichuan Longhe and its associates (as defined in the Listing Rules) does not hold any Shares of the Company as at the date of this announcement.
- (3) Target: Chengdu Wenjiang Vital Property Development Company Limited

Assets to be disposed

The Sale Interest, being the entire equity interest of the Target and the Sale Loan, being the entire shareholder's loan owed by the Target to the Vendor.

Save for the Land and the Sale Loan, certain assets, account receivables and liabilities as listed out in the Agreement will be transferred back to Vital Property within 30 days from the date of the Agreement.

Consideration

The Consideration is an aggregate amount of RMB230,609,000 (equivalent to approximately HK\$276,730,800), comprising RMB18,955,429.49 (equivalent to approximately HK\$22,746,515) for the Sale Interest and approximately RMB211,653,570.51 (equivalent to approximately HK\$253,984,285) for the Sale Loan. The consideration will be settled as follows:

- (a) a deposit of RMB20,000,000 (equivalent to approximately HK\$24,000,000) (the "Deposit") shall be paid by the Purchaser to the Vendor within 3 days from the date of the Agreement; and

- (b) the remaining balance of approximately RMB210,609,000 (the “Balance”) (equivalent to approximately HK\$252,730,800) shall be paid by the Purchaser to the Escrow Account I during the period commencing from 15 August 2011 up to 2 Business Days prior to the date of the EGM.

The Balance shall be transferred to the Escrow Account II on the second Business Day after the Disposal is approved by the Shareholders at the EGM.

The Balance standing in the Escrow Account II shall be released to the Vendor upon the occurrence of the following matters:

- (a) 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; and
- (b) the Vendor has delivered to the Purchaser all the licenses, company seals, financial information and all contracts relating to the Land and documents as listed out in the Agreement.

The Deposit will be returned to the Purchaser (without interest) within 2 days in the event that the resolutions approving the Disposal are not passed by the Shareholders.

If the Purchaser terminates the Agreement unilaterally, the Vendor will forfeit the Deposit. If the Vendor terminates the Agreement unilaterally, the Vendor will have to return the Deposit and pay an amount equivalent to the Deposit to the Purchaser.

The Consideration has been arrived at after arm’s length negotiations between the Purchaser and the Vendor and was determined with reference to, among others, the prevailing property market condition in the PRC. Given the above, the Directors, including independent non-executive Directors, believe that the Consideration is fair and reasonable to the Company and its Shareholders.

四川維奧制藥有限公司 (Sichuan Vital Pharmaceutical Co., Ltd.*), an indirect wholly-owned subsidiary of the Company shall provide a guarantee in favour of the Purchaser regarding the obligations of the Vendor under the Agreement.

Conditions precedent

Completion of the Disposal is subject to the passing of the resolutions by the Shareholders of the Company approving the Disposal.

Completion

Completion of the Disposal will take place upon granting of the approval by the relevant governmental authorities regarding the transfer of the Sale Interest, the registration of change in legal representative and amendment of business license with the relevant authorities in the PRC.

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

INFORMATION ON THE TARGET

The Target was incorporated in July 2010 in the PRC and is currently engaged in the business of property development and management. Vital Property, a wholly-owned subsidiary of the Company holds 100% equity interest in the Target.

On 6 May 2010, the Company, through the Target, acquired a piece of land by auction at a consideration of approximately RMB204,600,000 (equivalent to approximately HK\$245,520,000). The Land, which is a tract of state-owned land for construction use, is located in 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 area of approximately 49,595 sq. m.. The Land was 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.

INFORMATION OF SICHUAN LONGHE

Sichuan Longhe was incorporated in the PRC on 20 April 2011 and is currently engaged in the business of property development, property sale and property management.

REASONS FOR THE DISPOSAL

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

After due and careful consideration, the Directors believe that the Disposal represents a good opportunity for the Company to realize potential value of the Land, thus enabling the Company to obtain profit from property investment to increase its general working capital and to seek for better investment opportunities. The Board believes that it will be beneficial to substantially enhance the capital base and cash flow position of the Company at the outset to better prepare for the timely participation in any such business opportunities in future.

The Directors, including the independent non-executive Directors, believe that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable as 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 2010 are summarized as follows:

	Year ended 31 December 2010 RMB (Audited)
Net profit/(loss) before tax	(390,411)
Net profit/(loss) after tax	(390,411)
Net assets	7,609,589

As at 30 June 2011, the Group's share of net asset of the Target based on unaudited figures was RMB6,245,090 (equivalent to approximately HK\$7,494,108). The estimated unaudited net gain on disposal is approximately RMB10,140,891 (equivalent to approximately HK\$12,169,069). The estimated unaudited net gain on disposal is arrived by adding back certain assets, account receivables and liabilities transferred back to Vital property, amounting to RMB331,611 (equivalent to approximately HK\$397,933) and deducting the Group's share of net asset of the Target of RMB6,245,090 (equivalent to approximately HK\$7,494,108), the Sale Loan and the capitalised finance cost of RMB2,901,059 (equivalent to approximately HK\$3,481,271) 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 and/or suitable investment opportunities as may be identified by the Company in the future. 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 when appropriate.

LISTING RULES IMPLICATIONS

Given that one of the applicable percentage ratios for the Disposal represent 25% or more but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules. The Disposal is therefore subject to the requirements of reporting, announcement and Shareholders' approval pursuant to Chapter 14 of the Listing Rules.

As no Shareholder has any material interest in the Disposal, no Shareholder is required to abstain from voting in respect of the resolutions to be proposed at the EGM to approve the Disposal.

EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, pass the resolutions to approve the Disposal. A circular containing, among other things, further details of the Disposal, a valuation report of the Land together with a notice convening the EGM is expected to be despatched to the Shareholders on or before 19 August 2011 in accordance with the Listing Rules. The ordinary resolutions to be put to vote at the EGM will be taken by way of poll in accordance with the Listing Rules.

DEFINITIONS

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

“Agreement”	an agreement dated 29 July 2011 entered into among Vital Property, Sichuan Longhe and the Target in relation to the Disposal
“Board”	the board of Directors
“Business Day”	a day (not being a Saturday, Sunday or public holidays in the PRC) on which government authorities and departments are generally open for business in the PRC
“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
“Completion”	completion of the Disposal
“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 and the Sale Loan of the Target to Sichuan Longhe
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Disposal, which shall be convened no later than 30 September 2011 pursuant to the Agreement
“Escrow Account I”	the escrow account to be opened in the name of the Purchaser, which will be jointly controlled by the Vendor and the Purchaser
“Escrow Account II”	the escrow account to be opened in the name of the Vendor, which will be jointly controlled by the Vendor and the Purchaser
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a piece of land located at 中國成都市溫江區柳城街辦萬盛社區 (the Wancheng Community, Liucheng Street, Wenjiang District, Chengdu, the PRC*) with a total site area of 49,595.3 sq.m.

“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 with a registered capital of RMB8,000,000
“Sale Loan”	the shareholder’s loan owing by the Target to the Vendor in the sum of RMB211,653,570.51 (equivalent to approximately HK\$253,984,285) as at 29 July 2011
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Sichuan Longhe” or “Purchaser”	四川隆禾置業有限公司 (Sichuan Longhe Properties Limited*), a company established under the laws of the PRC and the Purchaser to the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	成都溫江維奧房地產開發有限公司 (Chengdu Wenjiang Vital Property Development Company Limited*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Vital Property” or “Vendor”	成都維奧置業有限公司 (Chengdu Vital Property Co., Ltd.*), a company established under the laws of the PRC 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
“sq.m.”	square meter
“%”	per cent.

By Order of the Board
VITAL GROUP HOLDINGS LIMITED
Chen Zhiyu
Executive Director

Hong Kong, 29 July 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. 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*