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維奧醫藥控股有限公司
Vital Pharmaceutical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01164)

**TERMINATION OF THE DISCLOSEABLE TRANSACTION
IN RELATION TO
THE FORMATION OF A JOINT VENTURE
AND
MAJOR TRANSACTION
IN RELATION TO
THE LAND ACQUISITION**

TERMINATION OF THE JV AGREEMENT

The Board announces that on 26 May 2010, the parties to the JV Agreement entered into the Termination Agreement to terminate the JV Agreement with effect from the date of approval by the Shareholders at the EGM of the Land Acquisition.

THE LAND ACQUISITION

On 6 May 2010, the Agent received the Confirmation Letter from the Bureau confirming the successful bid for the Land at an auction for an aggregate consideration of approximately RMB204.6 million (equivalent to approximately HK\$233.2 million). As of the date of this announcement, 50% of the Consideration was paid to the Bureau in the name of Vital Property in accordance with the relevant terms of the auction set by the Bureau. Pursuant to the relevant terms of the auction set by the Bureau, Vital Property shall pay the remaining 20% and 30% respectively of the Consideration within 60 days and 180 days from 13 May 2010.

Following the termination of the JV Agreement, the Company will solely invest in the Land Acquisition and the development of the Land through Vital Property.

LISTING RULES IMPLICATIONS

Given certain of the applicable percentage ratios for the Land Acquisition represent 25% or more but less than 100% for the Company, the Land Acquisition constitutes a major transaction of the Company under the Listing Rules. The Land Acquisition 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 Land Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the resolution to be proposed at the EGM for the approval of the Land Acquisition.

Reference is made to the JV Announcement dated 11 May 2010 in relation to the formation of the a joint venture pursuant to the JV Agreement entered into between Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen for the purpose of holding and development of the Land.

TERMINATION OF THE JV AGREEMENT

Subsequent to the entering into of the JV Agreement, the management of the Company have revisited the overall business plan of and resources available to the Group. Having considered the resources available to the Group for the development of the Land and the reasons as set out in the section headed "Reasons for and benefits of the Land Acquisition" below, the Company liaised with Chengdu Zhonghe and Sichuan Xiwen for the termination of the JV Agreement.

On 26 May 2010, Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen entered into the Termination Agreement to terminate the JV Agreement with effect from the date of approval by the Shareholders at the EGM of the Land Acquisition. Upon termination of the JV Agreement, save that the parties to the JV Agreement are entitled to be refunded the capital contributed thereunder, neither of the parties to the JV Agreement shall have any claims against the other parties.

Each of Chengdu Zhonghe and Sichuan Xiwen is a company established under the law of the PRC and is principally engaged in investment holding.

The Board considers that the termination of the JV Agreement will have no adverse impact on the existing business operations of the Group.

THE LAND ACQUISITION

As disclosed in the JV Announcement, on 6 May 2010, the Agent received the Confirmation Letter from the Bureau confirming the successful bid for the Land at an auction for an aggregate consideration of approximately RMB204.6 million (equivalent to approximately HK\$233.2 million). The Bureau is a PRC governmental bureau in charge of the management of land resources in Chengdu, the PRC and an independent third party to the Company and its connected persons.

Following the termination of the JV Agreement as disclosed above, the Company will solely invest in the Land Acquisition and the development of the Land through Vital Property. Upon completion of the incorporation of Vital Property, it will enter into the formal Land Grant Contract with the Bureau. Vital Property, upon incorporation, will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated in the future financial statements of the Group.

Information of the Land

As disclosed in the JV Announcement, 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.

Consideration and payment terms

The Consideration of approximately RMB204.6 million (equivalent to approximately HK\$233.2 million) was determined through the auction carried out by the Bureau.

As disclosed in the JV Announcement, the Company has, through the Agent, paid a security deposit of RMB27.0 million (equivalent to approximately HK\$30.8 million) to the Bureau for the purpose of participating in the auction and approximately RMB1.9 million (equivalent to approximately HK\$2.2 million) as the auction service charge. On 13 May 2010, being the fifth day after the receipt of the Confirmation Letter, 50% of the Consideration as offset by the RMB27.0 million security deposit already paid, which amounted to approximately RMB75.3 million (equivalent to approximately HK\$85.8 million), was paid to the Bureau in the name of Vital Property in accordance with the relevant terms of the auction set by the Bureau. Pursuant to the relevant terms of the auction set by the Bureau, the remaining balance of the Consideration of approximately RMB102.3 million (equivalent to approximately HK\$116.6 million) shall be settled in cash in the following manner:

- (i) as to RMB40.9 million (equivalent to approximately HK\$46.6 million), being 20% of the Consideration, to be paid within 60 days from 13 May 2010; and
- (ii) as to RMB61.4 million (equivalent to approximately HK\$70.0 million), being the remaining 30% of the Consideration, to be paid within 180 days from 13 May 2010.

The Company intends to finance the Land Acquisition by its internal resources and/or bank financing.

Conditions precedent to completion of the Land Acquisition

Completion of the Land Acquisition is conditional upon the Company having obtained approval by the Shareholders at the EGM in respect of the Land Acquisition and the balance of the Consideration being fully paid by Vital Property according to the payment schedule as set out in the above paragraph headed “Consideration and payment terms”. In the event that the Land Acquisition is not approved by the Shareholders at the EGM, the Termination Agreement will not become effective and the Company will continue its investment in the Land through Vital Property in the form of joint venture pursuant to the JV Agreement.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION

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

As mentioned in the JV Announcement, 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 Land Acquisition 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. Furthermore, the Board is of the view that the Land is of outstanding development potential, given 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.

Taking into account the aforementioned benefits and potential of the Land Acquisition to the Group and the Directors' assessment of the best utilization of the Group's resources, the Directors consider it would be in the interest of the Company and its Shareholders for the Company to invest in the Land on a sole basis. The future returns from the development of the Land can be fully consolidated into the accounts of the Group and the Company will have full control and more efficient management over the development of the Land in contrast to that in the form of a joint venture.

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

LISTING RULES IMPLICATIONS

Given certain of the applicable percentage ratios for the Land Acquisition represent 25% or more but less than 100% for the Company, the Land Acquisition constitutes a major transaction of the Company under the Listing Rules. The Land Acquisition 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 Land Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the resolution to be proposed at the EGM for the approval of the Land Acquisition.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, pass the resolutions to approve, the Land Acquisition. A circular containing, among other things, further details of the Land Acquisition, financial information of the Group, valuation report of the Land and a notice convening the EGM will be despatched by the Company to the Shareholders as soon as possible.

DEFINITIONS

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

“Agent”	四川維奧製藥有限公司 (Vital Pharmaceuticals (Sichuan) Co., Ltd.), a company established under the law of the PRC and is a wholly-owned subsidiary of the Company and the agent for the participation in the auction of the Land
“Board”	the board of Directors
“Bureau”	成都市國土資源局 (Chengdu Bureau of Land Resources*)
“Chengdu Zhonghe”	成都眾合高新企業管理有限公司 (Chengdu Zhonghe Management Company Limited*), a company established under the law of 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 which confirmed the successful bidding of the Land by Vital Property
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the acquisition of the Land
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Land Acquisition
“Group”	the Company together with its subsidiaries
“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 a joint venture company to be established under the law of the PRC for the development of the Land

“JV Announcement”	the announcement of the Company dated 11 May 2010 in relation to, among other things, the formation of the joint venture company
“Land”	a piece of land 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
“Land Acquisition”	acquisition of the Land by the Group through Vital Property, subject to the Shareholders’ approval at the EGM
“Land Grant Contract”	國有建設用地使用權出讓合同, the contract to be entered into between the Vital Property and the Bureau 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
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Sichuan Xiwen”	四川西文科技有限公司 (Sichuan Xiwen Technology Company Limited*), a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the agreement dated 26 May 2010 entered into between Vital Chengdu, Chengdu Zhonghe and Sichuan Xiwen in relation to the termination of the JV Agreement
“Vital Chengdu”	維奧(成都)製藥有限公司 (Vital Pharmaceutical (Chengdu) Co., Ltd.*), a company established under the law of the PRC and a wholly-owned subsidiary of the Company
“Vital Property”	成都溫江維奧房地產開發有限公司 (Chengdu Wenjiang Vital Property Development Company Limited*), a company to be established under the law of the PRC with limited liability for the development of the Land
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

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

Hong Kong, 26 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*