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# **Vital BioTech Holdings Limited**

## **維奧生物科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1164)**

### **ANNOUNCEMENT**

## **UNUSUAL PRICE AND VOLUME MOVEMENTS, PRICE-SENSITIVE INFORMATION AND RESUMPTION OF TRADING**

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

### **UNUSUAL PRICE AND VOLUME MOVEMENTS**

This statement is made by the Company at the request of the Stock Exchange.

The Board have noted the increase in the price and volume movements of the Shares in the morning on 24 July 2007 and wish to state that save for the entering into of the Letter of Intent as set out in this announcement, the Board did not aware of any reasons for such increase.

### **Letter of Intent in relation to the Possible Acquisition**

The Board announces that on 26 July 2007, the Company entered into a non-binding Letter of Intent with Hengtai Shareholders pursuant to which the Company intends to acquire from Hengtai Shareholders the entire share capital of Sichuan Hengtai which is owned as to 100% by Hengtai Shareholders.

Save for the entering of the Letter of Intent, there are no other negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of price-sensitive nature.

### **RESUMPTION OF TRADING IN SHARES**

Trading in the Shares on the Stock Exchange was suspended with effect from 2:30 p.m. on 24 July 2007 at the request of the Company pending the publication of this announcement. An application has been made by the Company for resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 30 July 2007.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## **UNUSUAL PRICE AND VOLUME MOVEMENTS**

This statement is made by Vital BioTech Holdings Limited (the “Company”) at the request of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The board of directors (the “Board”) of the Company have noted the increase in the price of the shares of the Company (“Shares”) in the morning on 24 July 2007 and wish to state that save for the entering into of the Letter of Intent as set out in this announcement, the Board did not aware of any reasons for such increase.

### **Letter of Intent in relation to the Possible Acquisition**

The Board announces that on 26 July 2007, the Company entered into a non-binding letter of intent (the “Letter of Intent”) with three shareholders (“Hengtai Shareholders”) of Sichuan Hengtai Pharmaceutical Company Limited (“Sichuan Hengtai”) pursuant to which the Company intends to acquire from Hengtai Shareholders the entire share capital of Sichuan Hengtai which is owned as to 100% by Hengtai Shareholders (the “Possible Acquisition”).

Pursuant to the Letter of Intent, the total consideration of the Possible Acquisition (the “Consideration”) shall be determined with reference to an agreed range of price to earning ratios of 10 times to 12 times by the parties to the Letter of Intent based on the net profit of Sichuan Hengtai for the year ended 31 December 2007. The Consideration is intended to be settled by the issue of new Shares (“Consideration Shares”) and cash. The parties to the Letter of Intent intended that the issue price for the Consideration Shares to be determined with reference to the average closing price of the Shares for the consecutive 50 trading days prior to the date of the Letter of Intent and the total value of the Consideration Shares shall not exceed 80% of the Consideration. A refundable deposit of HK\$10 million shall be paid by the Company to Hengtai Shareholders within 15 days upon signing of the Letter of Intent. In the event that no formal agreement will be entered into in relation to the Possible Acquisition or the Possible Acquisition failed to complete, the aforesaid deposit will be fully refunded to the Company with no interest.

As the terms in relation to the Possible Acquisition are still under negotiation between the parties to the Letter of Intent, the Company is unable, as at the date of this announcement, to confirm whether there will be any change in substantial shareholder and/or controlling shareholder and/or directors of the Company should the Possible Acquisition be materialized and there is no expected timetable for entering into the formal agreement relating to the Possible Acquisition so far. The Directors (including the independent non-executive Directors) consider that the Letter of Intent is fair and reasonable.

Subject to further changes of the applicable percentage ratios from time to time, the Possible Acquisition, if materialize, may constitute a major transaction for the Company under the Listing Rules.

Sichuan Hengtai is a customer of the Company, primarily engaged in the sale, marketing and distribution of pharmaceutical products in the Peoples’ Republic of China (the “PRC”). To the best of the knowledge of the directors of the Company (“Directors”), information and belief having made all reasonable enquiry, Hengtai Shareholders, Sichuan Hengtai and their respective associates are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

## **Benefits of the Possible Acquisition**

In view of the pharmaceutical industry in the PRC has commenced a resource re-allocation process and given that the structural changes in the market as a result of keen competition and its own development trend, the Directors consider that the Company together with its subsidiaries (the “Group”) have to take a proactive approach coping with the changes. Accordingly, acquiring quality downstream assets by way of acquisition and expanding the Group’s business in the PRC are in line with the business development strategies of the Group.

The Group and Sichuan Hengtai have their respective niche in the upstream and downstream of the industrial chain of the pharmaceutical industry in the PRC. And given that the connectivity of operations, complementariness of assets and consistency of business strategies, the Possible Acquisition may give rise to a leading pharmaceutical company with a focus on the market needs. The immediate and direct effect of the Possible Acquisition is that it may create significant synergy in terms of financial performance, operation scale and industrial organization and in turn enhance the Company’s ability in tackling risks and realize the Group’s growth potential in the long run.

Save for the entering of the Letter of Intent as disclosed above, there are no other negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of price-sensitive nature.

Further announcement will be made by the Company as and when required under Listing Rules.

**Shareholders and/or investors should note that the Possible Acquisition may or may not proceed and that no legally binding document has been executed. Accordingly, shareholders of the Company are therefore advised to exercise caution when trading in the Company’s shares.**

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By order of the Board  
**Vital BioTech Holdings Limited**  
**Leung Wai Pong**  
*Company Secretary*

Hong Kong, 27 July 2007

*As at the date of this announcement, the Board comprises five executive Directors: Mr. Tao Lung, Mr. Huang Jianming, Mr. Shen Songqing, Mr. Liu James Jin and Mr. Xu Xiaofan, and three independent non-executive Directors: Mr. Lui Tin Nang, Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.*

*Made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of this statement.*