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*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1164)**

## **CONTINUING CONNECTED TRANSACTION**

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On 21 October 2011 (after trading hours), the Framework Agreement was entered into between the Company and CGNPC-URC for the sale of Natural Uranium by the Group to CGNPC-URC during the Effective Period.

CGNPC-URC is the sole shareholder of China Uranium Development, the controlling shareholder of the Company, which holds approximately 50.11% equity interest in the Company. CGNPC-URC is therefore a connected person of the Company under the Listing Rules. The transaction contemplated under the Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios on an annual basis is more than 5%, the Continuing Connected Transaction is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **EGM**

An EGM will be convened and held for the purposes of, among other matters, seeking approval for the Framework Agreement, the transactions contemplated thereunder, and the proposed Annual Cap Amounts. At the EGM, votes will be taken by poll.

### **GENERAL**

A circular containing, among others, (1) a letter from the Board containing further details of the Continuing Connected Transaction; (2) a letter from the Independent Board Committee setting out its recommendations in connection with the Continuing Connected Transaction and the proposed Annual Cap Amounts to the Independent Shareholders; (3) a letter from Guangdong Securities setting out its advice in connection with the Continuing Connected Transaction and the proposed Annual Cap Amounts to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM is expected to be despatched to the Shareholders on or before 11 November 2011.

## **CONTINUING CONNECTED TRANSACTION**

The Board is pleased to announce that on 21 October 2011 (after trading hours), the Framework Agreement was entered into between the Company and CGNPC-URC for the sale of Natural Uranium by the Group to CGNPC-URC during the Effective Period.

A summary of the principal terms of the Framework Agreement is as follows:

### **Date**

21 October 2011

### **Parties**

- (1) The Company, as seller; and
- (2) CGNPC-URC, as purchaser

As at the date of this announcement, CGNPC-URC is the sole shareholder of China Uranium Development, the controlling shareholder of the Company, which holds approximately 50.11% equity interest in the Company. CGNPC-URC is therefore a connected person of the Company under the Listing Rules.

### **Subject Matter**

Pursuant to the Framework Agreement:

- (i) The Group has agreed to sell and CGNPC-URC has agreed to purchase and purchase on behalf of certain End Users certain amount of Natural Uranium during the Effective Period;
- (ii) CGNPC-URC is the sole natural uranium supplier of CGNPC. CGNPC-URC shall exclusively source from the Group the entire amount of Natural Uranium demanded by Guangxi Fangchenggang Company and Yangjiang Company during the Effective Period; and
- (iii) The Group shall have the first right of refusal to supply Natural Uranium demanded by other existing or potential uranium clients of CGNPC-URC or CGNPC-URC itself during the Effective Period.

### **Conditions Precedent and Term**

The Framework Agreement shall become effective upon the approval by the Independent Shareholders with respect to the Framework Agreement and the Continuing Connected Transaction at the EGM. The Framework Agreement shall take effect from the Effective Date to 31 December 2013 (both days inclusive).

## Prices of Natural Uranium and Payment Terms

The price per pound of Natural Uranium shall be determined with reference to the one-month, three-month, six-month, twelve-month arithmetic average prices of both the spot price index and long-term price index published weekly or monthly by the UxC and TradeTech and the rational price expectation of the Group and CGNPC-URC.

In any event, the price per pound of Natural Uranium offered to CGNPC-URC by the Group shall not be lower than that offered to any independent third parties.

The consideration of Natural Uranium being purchased shall be settled by CGNPC-URC via wire transfer within 30 calendar days upon completion of each Delivery or a date to be agreed between the Company and CGNPC-URC.

## Proposed Annual Cap Amounts

The following table sets out the proposed Annual Cap Amounts in respect of the Continuing Connected Transaction for each of the three years ending 31 December 2013:

<b>From the Effective Date to 31 December 2011</b>	<b>For the year ending 31 December 2012</b>	<b>For the year ending 31 December 2013</b>
HK\$522,600,000	HK\$2,246,400,000	HK\$3,463,200,000

The proposed Annual Cap Amounts are determined by taking into account the following factors: (i) the anticipated demand of Natural Uranium from the End Users, including Guangxi Fangchenggang Company and Yangjiang Company; (ii) historical trading volume of CGNPC-URC; (iii) historical prices and possible price fluctuations in Natural Uranium.

## Reasons for the Continuing Connected Transaction

The Group's principal business used to be selling, distributing and manufacturing of pharmaceutical and food products and property investment. The Group has repositioned itself as a platform for uranium resources investment and trading after the successful completion of China Uranium Development's subscription of 1,670,000,000 Shares and the Convertible Bonds on 18 August 2011.

As mentioned in the Company's circular dated 23 May 2011, the Group intends to leverage on the background and expertise of China Uranium Development in the uranium industry to explore business development and investment opportunities. Given that CGNPC-URC is one of the few enterprises in the PRC which owns the licence(s) to manage nuclear fuels and deal with the import and export of Natural Uranium, coupled with the facts that the Group, by entering into the Framework Agreement, will indirectly become natural uranium supplier of certain larger and famous End Users (including Guangxi Fangchenggang Company and Yangjiang Company), the Board believes that the Continuing Connected Transaction is able to diversify the Group's business and broaden the Group's income sources as well as to assist in developing the Group's expertise and experience in the uranium industry and enhance the Group's competitiveness in the future.

The terms and conditions of the Framework Agreement were determined after arm's length negotiations between the parties thereto. The Directors (excluding the independent non-executive Directors whose view will be formed after obtaining the advice from Guangdong Securities) consider that the entering into of the Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group and the proposed Annual Cap Amounts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Information of CGNPC-URC**

As mentioned above, CGNPC-URC is the sole shareholder of China Uranium Development, the controlling shareholder of the Company, which holds approximately 50.11% equity interest in the Company. It is one of the few enterprises in the PRC which owns the licence(s) to manage nuclear fuels and deal with the import and export of natural uranium. The core business of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; (ii) establish an interest in and support development of commercial resources and reserves of Natural Uranium; and (iii) deal with the import and export trade of the PRC and overseas Natural Uranium and related products.

### **Listing Rules Implications**

CGNPC-URC is a connected person of the Company and therefore the transaction contemplated under the Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios on an annual basis is more than 5%, the Continuing Connected Transaction is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. He Zuyuan, an executive Director and chief executive officer of the Company, Mr. Yu Zhiping, a non-executive Director and chairman of the Company, Ms. Zheng Xiaowei and Mr. Wei Qiyuan, both non-executive Directors, have abstained from voting to approve the Framework Agreement in the Board meeting due to the fact that they are the directors of China Uranium Development and/or the senior management of CGNPC-URC and are regarded as not independent to make any recommendation to the Board.

### **EGM**

An EGM will be convened and held for the purposes of, among other matters, seeking the Independent Shareholders' approval for the Framework Agreement, the transaction contemplated thereunder and the proposed Annual Cap Amounts. China Uranium Development and its associates, which have interests in the Continuing Connected Transaction, will abstain from voting on the resolutions concerning the Framework Agreement, the transactions contemplated thereunder and the proposed Annual Cap Amounts at the EGM. At the EGM, votes will be taken by poll.

## GENERAL

The Independent Board Committee consisting of Mr. Ling Bing, Mr. Qiu Xianhong and Mr. Huang Jinsong, being the three independent non-executive Directors, will be established to advise the Independent Shareholders in connection with the Continuing Connected Transaction and the proposed Annual Cap Amounts. Guangdong Securities was appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transaction and the proposed Annual Cap Amounts.

A circular containing, among other, (1) a letter from the Board containing further details of the Continuing Connected Transaction; (2) a letter from the Independent Board Committee setting out its recommendations in connection with the Continuing Connected Transaction and the proposed Annual Cap Amounts to the Independent Shareholders; (3) a letter from Guangdong Securities setting out its advice in connection with the Continuing Connected Transaction and the proposed Annual Cap Amounts to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM is expected to be despatched to the Shareholders on or before 11 November 2011.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Annual Cap Amount(s)”	the maximum aggregate annual transaction amount(s) for the transaction contemplated under the Framework Agreement for each of the three years ending 31 December 2013
“associates”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CGNPC”	中國廣東核電集團有限公司 (China Guangdong Nuclear Power Holding Corporation*), the sole shareholder of CGNPC-URC and the ultimate controller of the Company
“CGNPC-URC”	中廣核鈾業發展有限公司 (CGNPC Uranium Resources Co., Ltd.*), a company established in the PRC with limited liability and the sole shareholder of China Uranium Development
“China Uranium Development”	China Uranium Development Company Limited 中國鈾業發展有限公司, the controlling shareholder of the Company, holding approximately 50.11% equity interest in the Company as at the date of this announcement

“Company”	Vital Group Holdings Limited 維奧集團控股有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1164)
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Continuing Connected Transaction(s)”	the continuing connected transaction(s) contemplated under the Framework Agreement
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Convertible Bonds”	convertible bonds with a principal amount of HK\$600,000,000 issued by the Company to China Uranium Development, convertible into 2,608,695,652 Shares upon the exercise of the conversion rights attaching thereto
“Delivery”	the delivery of the ordered quantity of Natural Uranium in the form of U <sub>3</sub> O <sub>8</sub>
“Directors”	the directors of the Company, including the independent non-executive directors
“Effective Date”	the date on which the Framework Agreement takes effect
“Effective Period”	the effective period of the Framework Agreement commencing from the Effective Date and ending on 31 December 2013 (both days inclusive)
“EGM”	the extraordinary general meeting of the Company to be convened and held for approving, among other matters, the Framework Agreement, the transaction contemplated thereunder and the proposed Annual Cap Amounts
“End Users”	end users of Natural Uranium, including but not limited to Guangxi Fangchenggang Company and Yangjiang Company
“Framework Agreement”	the framework agreement dated 21 October 2011 entered into between the Company and CGNPC-URC in relation to the sale of Natural Uranium by the Group to CGNPC-URC
“Group”	the Company and its subsidiaries

“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transaction and the proposed Annual Cap Amounts
“Guangxi Fangchenggang Company”	廣西防城港核電有限公司 (Guangxi Fangchenggang Nuclear Power Co., Ltd.*)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors, established to advise the Independent Shareholders on the Continued Connected Transaction and the proposed Annual Cap Amounts
“Independent Shareholders”	Shareholders other than China Uranium Development and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Natural Uranium”	uranium ore concentrates in the form of U <sub>3</sub> O <sub>8</sub> with isotopic assay as it occurs in nature and has not been altered (i.e. which had neither been enriched, depleted nor irradiated)
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong and Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	the shareholder(s) of the Company
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning as ascribed to it under the Listing Rules

“TradeTech”	TradeTech of Denver Tech Centre
“U <sub>3</sub> O <sub>8</sub> ”	Natural Uranium (not previously irradiated and containing not less than the nominal 0.711 weight percent <sup>235</sup> U). The U <sub>3</sub> O <sub>8</sub> shall conform to the latest version of the ASTM International’s “Standard Specification for Uranium Ore Concentrate” (ASTM C967) at the time of Delivery (i.e. currently ASTM C967-08)
“UxC”	The Ux Consulting Company, LLC
“Yangjiang Company”	陽江核電有限公司 (Yangjiang Nuclear Power Co., Ltd.*)
“%”	per cent

By order of the Board  
**Vital Group Holdings Limited**  
**Mr. He Zuyuan**  
*Chief Executive Officer*

Hong Kong, 21 October 2011

*As at the date of this announcement, the Board comprises two executive Directors: Mr. He Zuyuan (chief executive officer) and Mr. Li Zhengguang, four non-executive Directors: Mr. Yu Zhiping (chairman), Mr. Wei Qiyang, Ms. Zheng Xiaowei and Mr. Chen Zhiyu and three independent non-executive Directors: Mr. Ling Bing, Mr. Qiu Xianhong and Mr. Huang Jinsong.*

\* *for identification purposes only*