

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

*(Incorporated in the Cayman Islands with limited liability)*  
*(formerly known as Vital Pharmaceutical Holdings Limited 維奧醫藥控股有限公司)*  
**(Stock code: 01164)**

## **ANNOUNCEMENT – UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010**

The unaudited results for the nine months ended 30 September 2010 (“Unaudited Results”) of Vital Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was approved by the board of directors of the Company (the “Board”) on 13 December 2010. The Company voluntarily announces its Unaudited Results pursuant to the requirements set out in chapter 13 of the Listing Rules.

The consolidated turnover of the Group dropped to around HK\$249 million, which represent a decrement of approximately 20% year-on-year. The profits attributable to owners of the Company increased to approximately HK\$55 million, representing an increment of approximately 10% as compared to HK\$51 million for the corresponding period.

The unaudited results for the nine months ended 30 September 2010 (“Unaudited Results”) of Vital Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was approved by the board of directors of the Company (the “Board”) on 13 December 2010.

The Company voluntarily announces its Unaudited Results in accordance with the requirements set out in chapter 13 of the Listing Rules.

**UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010:**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		(Unaudited)	
		9 months ended 30 September	
	NOTES	2010 HK\$'000	2009 HK\$'000 (Restated)
Turnover	2	249,249	311,600
Cost of sales		<u>(77,591)</u>	<u>(86,430)</u>
Gross profit		171,658	225,170
Other operating income		13,783	6,039
Selling and distribution expenses		(60,839)	(77,251)
Administrative expenses		(60,344)	(66,176)
Impairment loss recognised in respect of goodwill		–	(29,982)
Finance costs		<u>(983)</u>	<u>(695)</u>
Profit before taxation		63,275	57,105
Income tax expense	3	<u>(5,581)</u>	<u>(6,693)</u>
Profit for the period		<u>57,694</u>	<u>50,412</u>
Profit for the period attributable to:			
Owners of the Company		55,476	50,575
Non-controlling interests		<u>2,218</u>	<u>(163)</u>
		<u>57,694</u>	<u>50,412</u>
Earnings per share	5		
Basic, for profit for the period attributable to ordinary owners of the Company		<u>HK3.58 cents</u>	<u>HK3.26 cents</u>
Diluted, for profit for the period attributable to ordinary owners of the Company		<u>HK3.58 cents</u>	<u>HK3.26 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	9 months ended 30 September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>57,694</u>	<u>50,412</u>
Other comprehensive income		
Exchange differences arising during the period	15,793	(1,231)
Reclassification adjustments relating to a PRC subsidiary deregistered during the period	<u>(1,459)</u>	<u>–</u>
	<u>14,334</u>	<u>(1,231)</u>
Available-for-sale investments		
Net gain arising on revaluation of available-for-sale investments during the period	333	1,149
Reclassification adjustments relating to available-for-sale investments disposed of during the period	<u>(683)</u>	<u>(5)</u>
	<u>(350)</u>	<u>1,144</u>
Gain arising on transfer of property, plant and equipment and prepaid lease payments to investment properties at fair value	5,723	–
Deferred tax liability arising on gain on transfer of property, plant and equipment and prepaid lease payments to investment properties at fair value	<u>(1,431)</u>	<u>–</u>
	<u>4,292</u>	<u>–</u>
Other comprehensive income for the period, net of tax	<u>18,276</u>	<u>(87)</u>
Total comprehensive income for the period, net of tax	<u>75,970</u>	<u>50,325</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	73,752	50,488
Non-controlling interests	<u>2,218</u>	<u>(163)</u>
	<u>75,970</u>	<u>50,325</u>

**As the Unaudited Results may not reflect the results for the year ending 31 December 2010, investors and shareholders are advised to exercise extreme caution when dealing in the shares of the Company.**

## **NOTES TO UNAUDITED RESULTS**

### **1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The unaudited results for the nine months ended 30 September 2010 have been prepared in accordance with accounting principles generally accepted in Hong Kong and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The unaudited results should be read in conjunction with the 2009 annual report. The audit committee of the Company, which consists of three independent non-executive directors, has reviewed the results announcement for the nine months ended 30 September 2010.

### **2. TURNOVER AND SEGMENT INFORMATION**

Turnover represents amount received and receivable from sales of pharmaceutical and food products net of returns, discounts allowed, sales related taxes and rental income during the period.

In the past, no segment analysis of financial information was presented as the Group's revenue and expenses are primarily attributable to the selling, distributing and manufacturing of pharmaceutical and food products.

During current period, a new segment of property investment was introduced as a result of the acquisition of land use rights as disclosed in the circular dated 9 June 2010. The Group's operating segments, based on the information reported to the chief operating decision maker, Chief Executive Officer, for the purposes of resource allocation and performance assessment are as follows:

- a) Pharmaceutical and food segment engages in the selling, distributing and manufacturing of pharmaceutical and food products.
- b) Property investment segment engages in leasing, developing and selling office premises, residential and commercial properties.

No operating segments have been aggregated to form the above operating segments.

## Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the nine months ended 30 September 2010 and 2009, respectively:

### Nine months ended 30 September 2010

	<b>Pharmaceutical and food HK\$'000 (Unaudited)</b>	<b>Property investment HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Turnover	<u>246,392</u>	<u>2,857</u>	<u>249,249</u>
Segment profit	<u>75,136</u>	<u>2,369</u>	77,505
Other income and gains			11,098
Central administrative costs			(24,345)
Finance costs			<u>(983)</u>
Profit before taxation			<u>63,275</u>

### Nine months ended 30 September 2009

	<b>Pharmaceutical and food HK\$'000 (Unaudited)</b>	<b>Property investment HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Turnover	<u>308,848</u>	<u>2,752</u>	<u>311,600</u>
Segment profit	<u>61,197</u>	<u>2,289</u>	63,486
Other income and gains			4,020
Central administrative costs			(9,706)
Finance costs			<u>(695)</u>
Profit before taxation			<u>57,105</u>

Segment profit represents the profit earned by each segment without allocation of central administrative costs including directors' salaries, other income and gains and finance costs. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

### 3. INCOME TAX EXPENSE

	(Unaudited)	
	9 months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
PRC Enterprise Income Tax		
– current period	7,344	6,702
– over provision in prior year	(1,763)	–
	5,581	6,702
Deferred taxation	–	(9)
	5,581	6,693

Hong Kong Profits Tax has not been provided for as there was no estimated assessable profit derived from Hong Kong for both periods.

The Hong Kong Profits Tax amounting to HK\$6,031,000 of a subsidiary of the Company in respect of the years of assessment 2000/01 and 2001/02 are under inquiries by the Hong Kong Inland Revenue Department (the “IRD”). The subsidiary had lodged an objection against the assessments and the IRD has held over the payment of the profits tax and the equal amount of tax reserve certificates was purchased.

During the period ended 30 September 2009, the IRD further issued protective profits tax assessments of approximately HK\$1,760,000 to that subsidiary of the Company relating to the year of assessment 2002/03, that is, for the financial year ended 31 December 2002. The Group lodged objections with the IRD against the protective assessments and purchased a tax reserve certificate of approximately HK\$1,760,000 during the period ended 30 September 2009 as demanded by the IRD.

The Group had received an advice from a tax expert that, the profits of that subsidiary for the years of assessment 2000/01 and 2001/02 were neither arisen in nor derived from Hong Kong. The directors of the Company believes that that subsidiary has a reasonable likelihood of success in defending its position that the income derived is non-Hong Kong sourced and therefore, are not subject to Hong Kong Profits Tax and since that subsidiary’s operation has remained unchanged during the financial years 2000 to 2002. Accordingly, no provision for profits tax is required.

During the period ended 30 September 2009, the IRD issued protective profits tax assessments of approximately HK\$599,000 to another subsidiary of the Company relating to the year of assessment 2002/03, that is, for the financial year ended 31 December 2002. The Group lodged objections with the IRD against the protective assessments. The IRD agreed to hold over the tax claim subject to the purchasing of a tax reserve certificate of approximately HK\$300,000, the Group purchased the tax reserve certificate during the period ended 30 September 2009 as demanded by the IRD.

The directors of the Company believes that that subsidiary has a reasonable likelihood of success in defending its position that the income derived is non-Hong Kong sourced and therefore, are not subject to Hong Kong Profits Tax. Accordingly, no provision for profits tax is required.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current and previous periods.

Certain PRC subsidiaries obtained approval from the relevant tax bureau and are qualified as a High and New Technology Enterprise which are subject to a tax rate of 15% for the current and previous periods.

Certain PRC subsidiaries were either in loss-making position for the current and the previous periods or had sufficient tax losses brought forward from previous period to offset the estimated assessable income for the period and accordingly did not have any assessable income for the current and previous periods.

The subsidiary operating in Macao is exempted from the income tax in Macao for the current and previous periods.

Pursuant to the laws and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI for the current and previous periods.

No Australian income tax has been provided as the subsidiaries operating in Australia had no estimated assessable profits for the current and previous periods.

#### **4. THIRD QUARTER DIVIDEND**

The Board does not recommend any quarter dividend for the nine months ended 30 September 2010 (nine months ended 30 September 2009: Nil).

#### **5. EARNINGS PER SHARE**

The calculation of basic and dilutive earnings per share for the nine months ended 30 September 2010 is based on the profit for the period attributable to owners of the Company of approximately HK\$55,476,000 (nine months ended 30 September 2009: HK\$50,575,000) and the weighted average number of ordinary shares in issue during the period of 1,551,056,993 (nine months ended 30 September 2009: 1,551,056,993).

For the nine months ended 30 September 2010 and 2009, the computation of dilutive earnings per share does not assume the exercise of the Company’s outstanding share options as the exercise price of those options is higher than the average market price for shares. Hence, the dilutive earnings per share are the same as basic earnings per share for the nine months ended 30 September 2010 and 2009.

#### **6. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to current period’s presentation. The directors of the Company consider that reclassification of rental income and other taxes from other operating income to turnover and to administrative expenses in the consolidated income statement is more meaningful in view of the introduction of new property investment segment as detailed in note 2. In addition, comparative amounts are provided in respect of this new segment.

## **BUSINESS REVIEW**

I am pleased to announce the unaudited results of Vital Group Holdings Limited (“Company”) and its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2010 (“period under review” or “reporting period”). During the period under review, the consolidated turnover of the Group decreased by 20% year-on-year to approximately HK\$249 million from approximately HK\$312 million.

During the period under review, in regard to uncertainties of renewing the import drug license of “Osteoform calcium amino acid chelate capsule”, the Group had ceased the sales of “Osteoform calcium amino acid chelate capsule” which leads a fall back on the consolidated turnover of the Group. During the period under review, although the turnover of the Group decreased by 20%, the profits attributable to owners of the Company increased to approximately HK\$55 million, representing a slightly increment of approximately 10% as compared to approximately HK\$51 million for the corresponding period. It can be explained by the Group cost cutting policy which resulted in the decrease in selling and distributing expenses and administrative expenses, plus attributed by the appreciation of RMB, and no impairment loss recognised in respect of goodwill had been recorded in the reporting period.

### **Pharmaceutical and Food Industry**

#### *Product Sales*

“Osteoform Calcium Food”, a new food product of the Group

The Group’s new food product “Osteoform compound calcium amino acid chelate food capsule” consists of multiple minerals and vitamins. Its nutrition facilitates the absorption of calcium by human body, thus helping the formation of bone matrix and the maintenance of bone density. It has been launched into the market during the fourth quarter of 2009. Turnover for the first three quarters of year 2010 was approximately HK\$160 million.

“Osteoform Vitamins with minerals dispersible tablet”, a compound vitamin and minerals product

“Osteoform Vitamins with minerals dispersible tablet”, a compound vitamin and minerals product, for the prevention and treatment of disease caused by lack of vitamins and minerals, has been launched into the market during the second quarter of year 2009. The sales turnover for the first three quarters of year 2010 was around HK\$14 million.

“Vital Fast”, a slow release flu medication formulated with loratadine, pseudoephedrine sulphate and paracetamol

“Vital Fast”, a new flu medication of the Group, turnover during the reporting period was approximately HK\$5 million, representing a draw back of approximately 24% when compare to the corresponding period.



## Madaus products

For the trading of overseas agency products of Madaus GmbH, Germany, which including Legalon (Silymarin), Agiolax (Platain and Senna Granules) and Uralyt-U (Potassium Sodium Hydrogen Citrate Granules), etc. The Group has recorded sales of approximately HK\$51 million in the first three quarters of 2010, representing a growth of approximately 16% when compare to the corresponding period.

“Taurolite®”, a prescription medication capable of dissolving the cholesterol stones formed in the gallbladder and bile-duct

“Taurolite®” Tauroursodeoxycholic acid capsule, it cures and prevents such liver diseases as cholelithiasis and chronic bile stasis. In the case of cholesterol stone smaller than 2cm, sufferers may simply dissolve it by taking the medication without having to undergo operation. “Taurolite®” has been launched into the market during the second half of year 2009. The sales turnover for the reporting period was around HK\$4 million.

## Selling and Distribution Expenses

The selling and distribution expenses for the period under review were approximately HK\$61 million, decreased by about 21% when compared to approximately HK\$77 million year-on-year. The Group had identified that high selling and distribution expenses is a business risk, and aimed at tightening the outflow in years ago, and has achieved a satisfactory outcome in recent years. The selling and distribution expenses to turnover ratios were maintained at a low level, the ratio for the reporting period was approximately 24%, whereas the ratios for the corresponding period and for the last whole year were around 25% and around 29% respectively.

## Sichuan Hengtai Pharmaceutical Company Limited

During the period under review, Sichuan Hengtai continued its steady course of academic promotion by co-hosting or undertaking a number of state-level expert conferences, such as the “National Annual Conference on Digestive System” and the “Annual Conference on Endocrine”. That generated significantly positive effect in terms of introducing the Group’s products to the academic circle. Besides, along with the innovation in product lines as well as profit model, the company continued to restructure and regroup its marketing team with a view to strengthening its positivity in creating economic benefits. With the adjustment to and expansion of its product mix, Sichuan Hengtai will keep on exploring and introducing new products to the market.

## The Production Base in Chengdu, Sichuan Province, the PRC

Equipped with advanced production facilities and staffed with outstanding domestic experts, the highly effective drug manufacturing plant adopts innovative technology of drug production and manufactures drugs in accordance with the GMP standards. The plant is principally responsible for the production of the Group’s product “Aceclofenac Tablets”, “Aotianping” (Miglitol Tablets), and the new drug to gynaecology called “Hongjinxiaojie Tablet”, and “Mengtuoshisan” which is our new product used for the treatment of diarrhoea.

## **The Production Base in Wuhan, Hubei Province, the PRC**

During the period under review, major production included a new drug “Glimepiride orally disintegrating tablets” – medication for diabetes, “Vital Fast” – a slow release flu medication, “Opin” – a gynaecology biological drug and the Group’s new food product “Osteoform Calcium Food”.

## **Weiao (Chengdu) Pharmaceutical Co., Ltd. (維奧(成都)製藥有限公司)**

Final stage of preparation work for trial production has been implemented in the third quarter of year 2010. Application of GMP certification on the specification of solution for injection is being processed by the SFDA and expected to be approved by end of year 2010. Meanwhile, “Diammonium Glycyrrhizinate” and “Tetracaine Hydrochloride for Injection” are expected to put into production by end of this year. Sales and marketing team are established and prepared for launching these products.

## **Property Investment Industry**

### *Property development*

“Chengdu Wenjiang Vital Property Development Company Limited” (成都溫江維奧房地產開發有限公司) was incorporated in July 2010 for the purpose of developing the land acquired by auction, which is a tract of state-owned land for construction use, 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 area of approximately 49,595 square meters. The land is intended for developing into high-end commercial facilities and residential units with a gross floor area of approximately 200,000 square meters. Development planning, design and pre-construction submission in respect of the land are under way. Construction is expected to commence in early 2011 and completion of the whole development is scheduled to take place within three years.

### *Leased investment property*

Besides property development, property investment industry also includes leased investment properties situated in Sichuan, the PRC. During the reporting period, the investment properties had contributed around HK\$2.9 million rental income to the Group.

## **BUSINESS OUTLOOK**

In order to grasp the opportunities, the Group intends to diversify its product range based on the Group’s relevant experiences and expertise, including health food market development and pharmaceutical product range diversification. In the coming future, the Group will continue to expand its products portfolios, utilize the well established national famous trademark “Osteoform” brand name to open up the health product market, optimize products categories, expand sales and distribution network, and identify acquisition opportunities which can create synergy effects for the Group’s existing business, with an aim to lay a solid foundation to implement our future strategies. We will concentrate our resources on domestic sales and marketing efforts in the PRC. The Group will provide services and distribution network to

foreign companies in the PRC in appropriate manner. By establishing an effective, fast and flexible marketing system to accommodate different needs of marketing solutions for different products, we will be able to deliver remarkable results to the Company and our shareholders.

In addition, 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 parcel in Chengdu city, PRC, in May 2010 represents an opportunity to tap into the PRC property market and such opportunity would enhance the shareholders' value in the long run.

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

Hong Kong, 13 December 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.*