



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1164)

**ANNOUNCEMENT – UNAUDITED RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008**

The unaudited results for the nine months ended 30 September 2008 (“Unaudited Results”) of Vital Pharmaceutical Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) was approved by the board of directors of the Company (the “Board”) on 15 December 2008. The Company voluntarily announces its Unaudited Results pursuant to the requirements set out in chapter 13 of the Listing Rules.

**UNAUDITED RESULTS FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2008
 (“Unaudited Results”):**

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

Condensed Consolidated Income Statement

		(Unaudited)	
		9 months ended	
		30 September	
		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	530,536	366,417
Cost of sales		(198,034)	(119,549)
Gross profit		332,502	246,868
Other revenues		16,878	13,128
Selling and distribution expenses		(148,827)	(144,549)
Administrative expenses		(89,646)	(57,605)
Finance costs		(13,855)	(7,625)
Profit before taxation		97,052	50,217
Income tax expense	3	(21,020)	(10,677)
Profit for the period		76,032	39,540
Attributable to:			
Equity holders of the Company		76,131	39,729
Minority interests		(99)	(189)
		76,032	39,540
Third quarter dividend per share	4	Nil	Nil
Earnings per share – basic	5	HK4.91 cents	HK2.57 cents
Earnings per share – diluted	5	HK4.90 cents	HK2.56 cents

As the Unaudited Results may not reflect the results for the year ending 31 December 2008, investors and shareholders are advised to exercise extreme caution when dealing in the shares of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

1. Basis of preparation and principal accounting policies

The condensed consolidated income statement has been prepared in accordance with accounting principles generally accepted in Hong Kong, and Hong Kong Accounting Standard issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated income statement should be read in conjunction with the 2007 annual report. The audit committee of the Company, which consists of three independent non-executive directors, has reviewed the results announcement for the 9 months ended 30 September 2008.

2. Turnover

The Group is principally engaged in research and development, selling and manufacturing of pharmaceutical products. Turnover represents invoiced value of sales, net of returns, discounts allowed and sales taxes where applicable.

The Group's revenues, expenses, assets, liabilities and capital expenditure are primarily attributable to the sales and manufacturing of pharmaceutical products.

The Group's principal market is in the People's Republic of China (the "PRC"). No geographical segment in other country is of a sufficient size to be reported separately.

3. Income tax expense

	(Unaudited)	
	9 months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Overseas income tax		
– current period	20,067	11,730
– under/(over) provision in prior year	962	(1,053)
	21,029	10,677
Deferred taxation	(9)	–
	21,020	10,677

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 30 September 2008. No tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax has not been provided for in the condensed consolidated Income statement for the period ended 30 September 2007 as there was no estimated assessable profit derived from Hong Kong in that period.

The Hong Kong Profits Tax amounting in total to HK\$6,031,000 of a subsidiary of the Company for the two financial years 2000 and 2001 are under inquiries by the Hong Kong Inland Revenue Department (“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 and recorded as tax recoverable.

The Group had received an advice from a tax expert that, the profits of that subsidiary for the financial years 2000 and 2001 were neither arisen in nor derived from Hong Kong. The directors of the Company believes that the 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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, certain subsidiaries operating in the PRC are entitled to exemption from income tax in the first two years from the first profit-making year, 50% reduction of income tax in the subsequent three years and thereafter, preferential treatments which are subject to the relevant law and regulations. One subsidiary was taxed at 15% (2007: 13%). Another subsidiary has incurred a loss and no income tax is payable for the period (2007: Nil). Other subsidiaries were either in loss-making position for the current and the previous periods or had sufficient tax losses brought forward from previous year to offset the estimated assessable income for the period and accordingly did not have any assessable income.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 issued by the Tenth National People’s Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate for the current period. For companies that were still entitled to certain exemption and reliefs (“Tax Benefit”) from PRC income tax, the New Law and Implementation Regulations allow the companies to continue to enjoy the Tax Benefit and the tax rate will change to 25% afterwards. For companies that were subject to tax rate of 33%, the New Law and Implementation Regulations have changed the tax rate from 33% to 25% from 1 January 2008.

The subsidiary operating in Macao is exempted from income tax in Macao.

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. Interim dividend

The Board does not recommend the payment of an interim dividend for the nine month ended 30 September 2008 (third quarter ended 30 September 2007: Nil).

5. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	(Unaudited) 9 months ended 30 September	
	2008	2007
<i>Earnings</i>		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share (HK\$'000)	<u>76,131</u>	<u>39,729</u>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,551,056,993</u>	1,544,869,997
Effect of dilutive ordinary shares in respect of share options	<u>4,067,233</u>	<u>8,276,099</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,555,124,226</u>	<u>1,553,146,096</u>

BUSINESS REVIEW

I am pleased to announce the unaudited results of Vital Pharmaceutical Holdings Limited (“Company”) and its subsidiaries (collectively the “Group”) for the nine months ended 30 September 2008 (“period under review” or “reporting period”). During the period under review, the consolidated sales turnover of the Group increased by 45% year-on-year to approximately HK\$531 million from HK\$366 million.

During the period under review, the profit attributable to equity holders of the Company increased by approximately HK\$36 million year-on-year basis, or representing an increment of approximately 90%, to approximately HK\$76 million from the corresponding period amounted to approximately of HK\$40 million. Since the completion on the acquisition of Sichuan Hengtai, the immediate direct effect had been benefited was significant synergies created in terms of financial performance, operation scale and corporate organization. The operation of Sichuan Hengtai had been consolidated in the reporting period, which enhancing the turnover and profits attributable to equity holders of the Company.

Product Sales

For the reporting period, our flagship product “Osteoform” has maintained a steady market share. Its sales turnover was approximately HK\$473 million in the reporting period, which has contributed about 89% of the Group’s sales turnover.

For the other house products: Depile Capsule, Fenofibrate Tablet, Aceclofenac Tablet and 2 antibiotic products developed by the Group, the sales turnover for the reporting period was around HK\$10.8 million. It is increased by HK\$3 million when compared to approximately HK\$7.8 million for the corresponding period.

For the overseas agency products, the Group is trading products of Madaus GmbH, Germany. The Group has recorded sales of approximately HK\$37 million in the reporting period. It had increased by around 110% when compared to approximately HK\$17.6 million for the corresponding period.

Selling and Distribution Expenses

The selling and distribution expenses for the period under review were approximately HK\$148.8 million, slightly increased by about 3% when compared to approximately HK\$144.5 million year-on-year. However, because of the synergies effect benefited by the acquisition of Sichuan Hengtai and cost savings, there has a sharp decrease in respect of selling and distribution expenses to sales turnover ratio. The selling and distribution expenses to sales turnover ratio for the reporting period was approximately 28%, whereas the ratios for the corresponding period and for the last whole year were around 39% and around 33% respectively.

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 produces principally the Group's flagship product "Osteoform", "Depile Capsule", "Clarithromycin Capsules", "Azithromycin Capsules", "Aceclofenac Tablets", "Aotianping" (Miglitol Tablets), and "Aoshu" (Loratadine Tablets) etc.

The Production Base in Wuhan, Hubei Province, the PRC

During the reporting period, major production included "Vital Fast" – a slow release flu medication, and "Opin" – a gynaecology biological drug.

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

The production facilities of the plant are now under maintenance and has not put into operation in the reporting period. Solution for injection related products are pending for approval.

The Pharmaceutical Factory in Hong Kong, China

The pharmaceutical factory in Hong Kong, established with GMP standards had passed the annual inspection by Hong Kong Department of Health in June 2008.

Sichuan Hengtai Pharmaceutical

During the reporting period, in order to strengthen the sales promotions and co-operations among channels, an interactive training mechanism with various companies had set up. Under such mechanism, professional trainers were assigned by the Sichuan Hengtai to provide trainings on business skills to the staff of the channel sales agents, so as to enhance the product knowledge and vocational skills of the staff under such cooperation. By doing so, an

immediate effect was achieved in respect of channel promotion. Meanwhile, the training for the OCT personnel serving the end-users had strengthened. It not only made the knowledge of the Group's products available, it also effectively facilitated the communication and business training to the personnel at the pharmacies serving the end-users, achieving an ideal result for both parties. As for the prescription drug market and academic promotion, starting from the prescription drug department, academic and promotion channels had been continuously established in various areas and departments, in order to achieve academic generalization and promotion to the doctors across various departments. During the reporting period, Sichuan Hengtai participated an international conference for anorectal experts in Chengdu, through which, product knowledge had been brought to the venue, establishing an academic exchange system with the academic leaders nationwide. Also, "Agiolax," the anorectal product distributed by the Group, was successfully positioned to a new marketing horizon combining clinical treatment and academic achievement. To sum up, the sales volume of the Group's products had been effectively increased through continuous marketing efforts and the optimization and integration of sales channels.

BUSINESS OUTLOOK

In the coming future, in order to cope with the challenges brought from global economic crisis and medical reform in the PRC, the Group will continue to expand its products portfolios, optimize products categories, expand sales and distribution network, focused our resources on domestic sales and marketing efforts in the PRC. In addition, throughout restructuring of production facilities and products mix of the Group when necessary, with an aim to lay a solid foundation to implement our future strategies, in order to deliver remarkable results to the Company and our shareholders.

The Board as at the date of this announcement comprises six executive directors: Mr. Tao Lung, Mr. Huang Jianming, Mr. Xu Xiaofan, Mr. Shen Songqing, Mr. Liu James Jin, and Madam Guo Lin; and three independent non-executive directors: Mr. Lui Tin Nang, Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

By order of the Board
VITAL PHARMACEUTICAL HOLDINGS LIMITED
Tao Lung
Chairman

Hong Kong, 15 December 2008