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 – VOLUNTARY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2008

The unaudited quarterly results for the three months ended 31 March 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 27 June 2008. The Company voluntarily announces its Unaudited Results pursuant to the requirements setout in chapter 13 of the Listing Rules.

UNAUDITED QUARTERLY RESULTS FOR THE 3 MONTHS ENDED 31 MARCH 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) 3 months ended 31 March	
	Notes	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*2*	**132,531**	85,403
Cost of sales		**(50,178)**	(26,896)
Gross profit		**82,353**	58,507
Other operating income		**1,890**	490
Selling and distribution expenses		**(29,196)**	(27,907)
Administrative expenses		**(22,660)**	(16,067)
Operating profit		**32,387**	15,023
Finance costs		**(3,765)**	(2,797)
Profit before taxation		**28,622**	12,226
Income tax expense	*3*	**(3,343)**	(2,592)
Profit for the period		**25,279**	9,634
Attributable to:			
Equity holders of the Company		**25,380**	9,696
Minority interests		**(101)**	(62)
		25,279	9,634
Interim dividend per share	*4*	**Nil**	Nil
Earnings per share			
Basic	*5*	**HK1.64 cents**	HK0.63 cents
Diluted	*5*	**HK1.63 cents**	HK0.63 cents

Condensed Consolidated Balance Sheet

	31 March 2008 *HK$'000* **(Unaudited)**	31 December 2007 *HK$'000* (Audited)
Non-current assets		
Intangible assets	**4,371**	4,745
Property, plant and equipment	**309,282**	250,821
Prepaid lease payments on land use rights	**43,085**	33,416
Deposit for acquisition of a subsidiary	**–**	52,553
Deposit for acquisition of property, plant and equipment	**2,857**	2,732
Available-for-sale investments	**6,752**	4,782
Goodwill	**139,304**	30,396
	505,651	379,445
Current assets		
Inventories	**191,857**	108,362
Trade and other receivables	**202,347**	139,281
Prepaid lease payments on land use rights	**970**	754
Tax recoverable	**6,031**	6,031
Bank balances and cash		
– pledged	**13,338**	639
– unpledged	**143,075**	106,525
	557,618	361,592
Current liabilities		
Trade and other payables	**320,593**	105,814
Value added tax payable	**55**	11,818
Tax payable	**13,115**	3,152
Obligations under finance leases		
– due within one year	**304**	300
Bank borrowings – due within one year	**173,190**	115,089
	507,257	236,173
Net current assets	**50,361**	125,419
Total assets less current liabilities	**556,012**	504,864
Capital and reserves		
Share capital	**15,511**	15,511
Reserves	**536,650**	487,942
Equity attributable to equity holders of the Company	**552,161**	503,453
Minority interests	**487**	589
Total equity	**552,648**	504,042
Non-current liabilities		
Deferred tax liability	**2,621**	–
Obligations under finance leases		
– due after one year	**743**	822
	3,364	822
	556,012	504,864

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 FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The condensed consolidated financial statements 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 financial statements 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 3 months ended 31 March 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 are of a sufficient size to be reported separately.

3. Income tax expense

	(Unaudited) 3 months ended 31 March	
	2008	2007
	HK$'000	*HK$'000*
Overseas income tax		
– current period	**3,343**	2,592

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 31 March 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 consolidated financial statements as there was no estimated assessable profit derived from Hong Kong for the period ended 31 March 2007.

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 as at 31 March 2008 and 31 December 2007.

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.

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 PRC income tax in the first two years from the first profit-making year, followed by a 50% reduction of PRC income tax for the next three years and thereafter, preferential treatments which are subject to the relevant law and regulation. One subsidiary was taxed at 15% (2007: 13%), and one subsidiary was taxed at 25% (2007: 33%). 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 period and the previous years 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 People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and Implementation Regulations, the enterprise income tax for both domestic and foreign-invested enterprises will be unified at 25% effective from 1 January 2008. There will be a transitional period for the PRC subsidiaries that are currently entitled to preferential tax treatments granted by the relevant tax authorities. PRC subsidiaries currently subject to an enterprise income tax rate lower than 25% will continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008. The tax rate applicable to the PRC subsidiaries are subject to approval by the tax authority.

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 period and previous period.

4. Interim dividend

The Board does not recommend any interim dividend for the first quarter ended 31 March 2008 (first quarter ended 31 March 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) 3 months ended 31 March	
	2008	2007
Earnings		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share *(HK$'000)*	**25,380**	9,696
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,551,057,000**	1,541,707,000
Effect of dilutive ordinary shares in respect of share options	**6,059,000**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,557,116,000**	1,541,707,000

For the three months ended 31 March 2007, the diluted earnings per share was the same as the basic earnings per share because the exercise price of the Company's share options was higher than the average market price of the Company's shares.

BUSINESS REVIEW

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, which enhancing the ability of the Group to withstand risks.

For the first quarter of 2008, the consolidated sales turnover of the Group were boosted to around HK$133 million and were increased by approximately HK$47 million, or increased by 55%, as compared to the first quarter of 2007, as a result of desirable turnover of our flagship product, Osteoform. During the period under review, despite a slightly decrease of gross profit margin, the tightening of selling and distribution expenses approach adopted by the Company and the synergies effect on the corporate organization since the acquisition of Sichuan Hengtai, the profits attributable to equity holders increased significantly to approximately HK$25.4 million, representing an increment of approximately 160% as compared with the first quarter of 2007.

Product Sales

For the first quarter of 2008, our flagship product "Osteoform" has maintained a steady market share. Its sales turnover was approximately HK$115 million in the current period, which had increased by around 46% when compare to the sales turnover of HK$79 million in the first quarter of 2007. Osteoform contributed to about 87% 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 first quarter of 2008 was around HK$3.5 million. It is slightly increased when compared to approximately HK$2.9 million for the first quarter of 2007.

For the overseas agency products, the Group is trading products of Madaus GmbH, Germany. The Group was recorded sales of approximately HK$10 million in this quarter.

Selling and Distribution Expenses

The selling and distribution expenses for this quarter were approximately HK$29 million, had a slightly increased of approximately HK$1 million from approximately HK$28 million in the corresponding period. The Group had identified that high selling and distribution expenses is a business risk, and aimed at tightening the outflow in years ago. In addition, the Group is also benefiting from the synergies effect on the acquisition of Sichuan Hengtai. In the current period, it had been shown the control was in place and effective and the advantages on acquisition. In respect of selling and distribution expenses to sales turnover ratio, it was decreased to approximately 22% for this 3 months period. Whereas the ratios for the last corresponding period and for the last whole year were both around 33%, which representing a decreased of 11% in the period under review.

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 products "Osteoform", "Depile Capsule", "Clarithromycin Capsules", "Azithromycin Capsules", "Aceclofenac Tablets", and "Aotianping" ("Miglitol Tablets").

The Production Base in Wuhan, Hubei Province, the PRC

Major production in the first quarter of 2008 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 first quarter of 2008. 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, has obtained the relevant GMP and pharmaceutical manufacturer licence. The trail production was completed at the end of 2007 and production has been commenced. The factory becomes a processing platform for worldwide products.

BUSINESS OUTLOOK

In the coming years, the Group will continue to expand its products portfolios, 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 packaging services to multi-national 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.

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, 27 June 2008