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

*(Incorporated in Cayman Islands with limited liability)*  
**(Stock code: 01164)**

**ANNOUNCEMENT — UNAUDITED RESULTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2011**

The unaudited quarterly results for the three months ended 31 March 2011 (the “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 11 July 2011.

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

**UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2011**

**CONSOLIDATED INCOME STATEMENT**

		(Unaudited)	
		3 months ended 31 March	
	<i>NOTES</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> <i>(Restated)</i>
Turnover	2	96,728	81,428
Cost of sales		<u>(28,623)</u>	<u>(27,142)</u>
Gross profit		68,105	54,286
Other operating income		5,415	701
Selling and distribution expenses		(18,668)	(13,951)
Administrative expenses		(14,095)	(16,253)
Finance costs		<u>(1)</u>	<u>(44)</u>
Profit before taxation		40,756	24,739
Income tax expense	3	<u>(7,147)</u>	<u>(1,409)</u>
Profit for the period		<u><u>33,609</u></u>	<u><u>23,330</u></u>
Profit for the period attributable to:			
Owners of the Company		32,836	22,612
Non-controlling interests		<u>773</u>	<u>718</u>
		<u><u>33,609</u></u>	<u><u>23,330</u></u>
Earnings per share	5		
Basic, for profit for the period attributable to owners of the Company		<u><u>HK2.12 cents</u></u>	<u><u>HK1.46 cents</u></u>
Diluted, for profit for the period attributable to owners of the Company		<u><u>HK2.11 cents</u></u>	<u><u>HK1.46 cents</u></u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>(Unaudited)</b>	
	<b>3 months ended 31 March</b>	
	<b>2011</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>33,609</u>	<u>23,330</u>
Other comprehensive income		
Exchange differences arising on translating foreign operations during the period	18,063	—
Gain arising on revaluation of available-for-sale financial assets	—	333
Gain arising on transfer of property, plant and equipment and prepaid lease payments to investment properties at fair value	—	5,709
Deferred tax liability arising on gain on transfer of property, plant and equipment and prepaid lease payments to investment properties at fair value	—	<u>(1,427)</u>
Other comprehensive income for the period, net of tax	<u>18,063</u>	<u>4,615</u>
Total comprehensive income for the period	<u>51,672</u>	<u>27,945</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	50,798	27,227
Non-controlling interests	<u>874</u>	<u>718</u>
	<u>51,672</u>	<u>27,945</u>

**As the Unaudited Results may not reflect the results for the year ending 31 December 2011, investors and shareholders are advised to exercise extreme caution when dealing in the shares of the Company.**

## NOTES TO THE UNAUDITED RESULTS

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

The unaudited results for the three months ended 31 March 2011 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 2010 annual report. The audit committee of the Company, which consists of three independent non-executive directors, has reviewed the results announcement for the three months ended 31 March 2011.

### 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 gross rental income during the period.

Since June 2010, 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 reportable segments.

The following is an analysis of the Group's revenue and results by reportable segments:

#### Three months ended 31 March 2011

	<b>Pharmaceutical and food HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Total HK\$'000</b>
Turnover	<u>95,796</u>	<u>932</u>	<u>96,728</u>
Segment profit (loss)	<u>38,845</u>	<u>(372)</u>	<u>38,473</u>
Other income and gains			5,415
Central administrative costs			(3,131)
Finance costs			<u>(1)</u>
Profit before taxation			<u><u>40,756</u></u>

Three months ended 31 March 2010

	Pharmaceutical and food <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>80,746</u>	<u>682</u>	<u>81,428</u>
Segment profit	<u>27,820</u>	<u>592</u>	28,412
Other income and gains			701
Central administrative costs			(4,330)
Finance costs			<u>(44)</u>
Profit before taxation			<u><u>24,739</u></u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administrative costs, directors' salaries, other income and gains and finance costs. This is the measure reported to the Chief Executive Officers for the purposes of resource allocation and assessment of segment performance.

### 3. INCOME TAX EXPENSE

	<b>(Unaudited)</b>	
	<b>3 months ended 31 March</b>	
	<b>2011</b>	2010
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
The Peoples' Republic of China (the "PRC") Enterprise Income Tax		
— Current period	<u><u>7,147</u></u>	<u><u>1,409</u></u>

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\$7,791,000 of a subsidiary of the Company in respect of the years of assessment from 2000/01 to 2002/03 are under inquiries by the Hong Kong Inland Revenue Department (the "IRD"). The Group 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 year ended 31 December 2010, the IRD further issued protective profits tax assessments of approximately HK\$5,250,000 to that subsidiary of the Company relating to the year of assessment 2003/04, that is, for the financial year ended 31 December 2003. The Group again lodged objections with the IRD against the protective assessments and the IRD agreed to hold over the tax claim unconditionally.

The directors of the Company believe 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.

During the year ended 31 December 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 year ended 31 December 2009 as demanded by the IRD.

During the year ended 31 December 2010, the IRD further issued protective profits tax assessments of approximately HK\$5,250,000 to that subsidiary of the Company relating to the year of assessment 2003/04, that is, for the financial year ended 31 December 2003. The Group again lodged objections with the IRD against the protective assessments and the IRD agreed to hold over the tax claim unconditionally.

The directors of the Company believe 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 both periods.

For the three months ended 31 March 2010, certain PRC subsidiaries obtained approval from the relevant tax bureau and were qualified as a High and New Technology Enterprise which were subject to a tax rate of 15%.

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 Macau is exempted from the income tax in Macau 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. INTERIM DIVIDEND**

The Board does not recommend any interim dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: nil).

## 5. EARNINGS PER SHARE

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

	<b>(Unaudited)</b>	
	<b>3 months ended 31 March</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Profit for the period attributable to the owners of the Company of the purposes of basic and diluted earnings per share	<u>32,836</u>	<u>22,612</u>
<b>Numbers</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,551,056,993</b>	1,551,056,993
Effect of dilutive ordinary shares in respect of share options	<u>2,522,606</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,553,579,599</b></u>	<u>1,551,056,993</u>

For the three months ended 31 March 2010, the computation of diluted 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 diluted earnings per share is the same as basic earnings per share for the three months ended 31 March 2010.

## 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 cost of sales in the consolidated income statement is more meaningful in view of the introduction of new property investment segment as detailed in Note 2.

## **BUSINESS REVIEW**

For the first quarter of 2011, in regard to the uncertainties of renewing the import drug license of “Osteoform calcium amino acid chelate capsule”, the Group has received a written notification from Pharmco International, Inc, the sole supplier of Osteoform Compound Calcium Amino Acid Chelate Capsules in January 2011. In the written notice, it was mentioned that Pharmco was notified by the Department of Drug Registration of the State Food and Drug Administration in the PRC that they intend to issue a notice of non-renewal of import drug license of Osteoform to Pharmco in the near future. Despite the uncertainties, the Group continues to diversify product and business development, expand and optimize product range, and accelerate the reform of quality control system in order to raise the competitiveness of our group. During the reporting period, the consolidated turnover of the Group amounted to around HK\$97 million, which represent an increase of approximately 18.8% year-on-year. The profits attributable to owners of the Company increased to approximately HK\$32.8 million, representing an increase of approximately 45% as compared to HK\$22.6 million for the first quarter of 2010.

During the reporting period, the Group has changed its production plan by shifting the manufacturing activities to China. As a result of the relocation of the manufacturing activities, there is idle capacity of the production facilities in Hong Kong. After careful consideration, Vital Pharmaceuticals Company Ltd, the wholly-owned subsidiary of the Group, disposed its property situated in Shatin. The directors believe that the disposal represents a good opportunity for the Company.

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. In March 2011, Vital Group Holdings Ltd entered into the Subscription Agreement pursuant to which the Company has agreed to (i) allot and issue to China Uranium Development Company Limited the Subscription Shares at a price of HK\$0.23 per Subscription Share and (ii) subscribe for HK\$600,000,000 Convertible Bonds which can be converted into the Conversion Shares at an initial Conversion Price of HK\$0.23 per Conversion Share. The Agreement was passed at the extraordinary general meeting held on 8 June 2011. The Group has explored new investment opportunity through introducing new investor.

### **Product Sales**

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

The Group’s 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 during the first quarter of year 2011 was approximately HK\$61 million, representing an increase of approximately 22% as compared to HK\$50 million for the first quarter of 2010.



*“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 quarter of year 2011 was around HK\$4.3 million, representing an increase of approximately 7.5% as compared to HK\$4 million for the first quarter of 2010.

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

“Vital Fast”, a flu medication of the Group, turnover during the first quarter of year 2011 was approximately HK\$1.9 million, representing a draw back of approximately 5% when compared to the corresponding period.

*Madaus products*

For the overseas agency products, the Group is trading 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\$15 million in this quarter.

### **Selling and Distribution Expenses**

Since the Group’s major sales arm — Sichuan Hengtai Pharmaceutical started to boost selling and distribution expenses and enhance marketing activities in the beginning of the year to promote the sales, the selling and distribution expenses for the period under review were approximately HK\$18.7 million, increased by about 34% when compared to approximately HK\$14 million year-on-year. The selling and distribution expenses to sales turnover ratios were continued to maintain at a low level, the ratio for the reporting period was approximately 19%, slightly increased when compared to 17% in the corresponding period.

### **Sichuan Hengtai Pharmaceutical Company Limited**

During the period under review, Sichuan Hengtai Pharmaceutical regrouped its marketing teams in a timely manner and achieved positive results by way of employing different types of sales and promotion methods together with the new products promotion launched in the beginning of the year. As to the sales channel expansion, professional teams serving the business clients continued to regroup the existing regional business clients and optimize the client management for its nation-wide major clients. Strategic cooperation was also established for the development in the year. As to the promotion of prescription medication, academic promotion continued and the marketing network was further defined at the same time. As a result, outstanding performance was achieved that made a good start for the first quarter and laid down the foundation for the targets set for the current year.

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

During the reporting period, 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. In the 4th quarter of year 2010, "Domperidone Tablets", which is used for the treatment of plenitude and indigestion, is introduced.

## **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 food product "Osteoform Calcium Food".

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

Weiao (Chengdu) Pharmaceutical has received GMP certificate at the end of January 2011. Since the launch of the New GMP Standard, existing GMP certificate will be expired on December 2013. Improvement work shall be conducted to comply with the new standard and substantial funding will be required. Furthermore, the state industrial policy restricted the production capacity of new drug and product submission, and classified injection drug as high-risk medication. Taking the cost effectiveness into account, the Company decided to suspend the production and dismiss the staff of the product line.

## **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 in May 2010, 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 year 2011 and completion of the whole development is scheduled to take place within three years. However, given the government's austerity measures to curb the real estate market, the property market in the PRC will remain uncertain. The board will carry out the property development business with care and prudence.

*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\$0.93 million rental income to the Group.

**BUSINESS OUTLOOK**

In the foreseeable future, consolidation will be seen in the markets of food, pharmaceuticals and properties of the PRC, with substantial pressure existing in the operating environment. The Group will strengthen risk management, and adopt a careful and prudent strategy for its operation and investments as the developing direction and objective for the coming years.

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

Hong Kong, 11 July 2011

*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.*