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

(Incorporated in Cayman Islands with limited liability)
(Stock code: 1164)

**ANNOUNCEMENT – UNAUDITED RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

The unaudited results for the nine months ended 30 September 2009 (“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 21 December 2009. The Company voluntarily announces its Unaudited Results pursuant to the requirements set out in chapter 13 of the Listing Rules.

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UNAUDITED RESULTS FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2009:

Condensed Consolidated Income Statement

		(Unaudited)	
		9 months ended 30 September	
		2009	2008
	NOTES	HK\$'000	HK\$'000
Turnover	2	308,848	530,536
Cost of sales		<u>(86,430)</u>	<u>(198,034)</u>
Gross profit		222,418	332,502
Other operating income		8,375	16,878
Selling and distribution expenses		(77,251)	(148,827)
Administrative expenses		(65,760)	(89,646)
Impairment loss recognised in respect of goodwill		(29,982)	–
Finance costs		<u>(695)</u>	<u>(13,855)</u>
Profit before taxation		57,105	97,052
Income tax expense	3	<u>(6,693)</u>	<u>(21,020)</u>
Profit for the period		<u>50,412</u>	<u>76,032</u>
Attributable to:			
Owners of the Company		50,575	76,131
Minority interests		<u>(163)</u>	<u>(99)</u>
		<u>50,412</u>	<u>76,032</u>
Earnings per share	4		
Basic, for profit for the period attributable to the ordinary owners of the Company		<u>HK3.26 cents</u>	<u>HK4.91 cents</u>
Diluted, for profit for the period attributable to the ordinary owners of the Company		<u>HK3.26 cents</u>	<u>HK4.90 cents</u>
Third quarter dividend per share	5	Nil	Nil

As the Unaudited Results may not reflect the results for the year ending 31 December 2009, 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 2008 annual report and 2009 interim report. The audit committee of the Company, which consists of three independent non-executive directors, has reviewed the results for the 9 months ended 30 September 2009.

2. Turnover and Segment Information

Turnover represents amount received and receivable from sales of pharmaceutical products net of returns, discounts allowed and sales related taxes during the period. On the first-time adoption of HKFRS 8 “Operating segments”, the Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting. The Group’s revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the sales, distributing and manufacturing of pharmaceutical products. The directors of the Company consider that there is only one operating segment for the Group.

3. Income tax expense

	(Unaudited)	
	9 months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Overseas income tax		
– current period	6,702	20,067
– under provision in prior year	–	962
	<u>6,702</u>	<u>21,029</u>
Deferred taxation	(9)	(9)
	<u>6,693</u>	<u>21,020</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period ended 30 September 2009 and 2008.

Hong Kong Profits Tax has not been provided for in the condensed consolidated income statement for the period ended 30 September 2009 as there was no estimated assessable profit derived from Hong Kong in that period.

For the period ended 30 September 2008, no tax was provided on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

The Hong Kong Profits Tax amounting in total to approximately 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.

During the period ended 30 September 2009, the HKIRD further issued protective profits tax assessments of approximately HK\$1,760,000 to that subsidiary of the Company relating to the year of assessment 2002/2003, that is, for the financial year ended 31 December 2002. The Group lodged objections with the HKIRD against the protective assessments and purchased a tax reserve certificate of approximately HK\$1,760,000 as demanded by the HKIRD.

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 and since that subsidiary's operation has remained unchanged during the financial year 2000 to 2002, Accordingly, no provision for profits tax is required.

During the period ended 30 September 2009, the HKIRD issued protective profits tax assessments of approximately HK\$599,000 to another subsidiary of the Company relating to the year of assessment 2002/2003, that is, for the financial year ended 31 December 2002. The Group lodged objections with the HKIRD against the protective assessments. The HKIRD 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 as demanded by the HKIRD.

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, approval from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, one subsidiary operating in the PRC are entitled to exemption from PRC enterprise income tax in the first profit-making year, followed by a 50% reduction of PRC enterprise income tax for the next three years (the "Tax Exemption"). During the period ended 30 September 2009, the Tax Exemption period has been expired and this subsidiary has obtained approval from the relevant tax bureau and are qualified as a High and New Technology Enterprise which is subject to a tax rate of 15%.

One subsidiary obtained approval from the relevant tax bureau and are qualified as a High and New Technology Enterprises which is subject to a tax rate of 15%.

Certain PRC 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.

4. 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:

	(Unaudited)	
	9 months ended 30 September	
	2009	2008
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share (<i>HK\$'000</i>)	<u>50,575</u>	<u>76,131</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,551,056,993	1,551,056,993
Effect of dilutive ordinary shares in respect of share options	<u>–</u>	<u>4,067,233</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,551,056,993</u>	<u>1,555,124,226</u>

For the nine months ended 30 September 2009, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market prices for the period.

5. Third quarter dividend

The directors of the Company do not recommend the payment of a third quarter dividend for the nine month ended 30 September 2009 (30 September 2008: Nil).

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 2009 (“period under review” or “reporting period”). During the period under review, the consolidated sales turnover of the Group decreased by 42% year-on-year to approximately HK\$309 million from HK\$531 million.

During the period under review, in regard to uncertainties of renewing the import drug license of “Osteoform calcium amino acid chelate capsule”, it may lead the Group cannot carry on its packing process and sale of “Osteoform calcium amino acid chelate capsule” in the PRC. Therefore, the Group had slowed down its marketing promotion and selling forces in the reporting period. Additionally, the Group had provided for amounted to approximately HK\$30 million impairment of goodwill in the first half of year 2009, which lead to a fall back of the consolidated results. The profits attributable to owners of the Company decreased by approximately HK\$25 million year-on-year basis to approximately HK\$51 million from HK\$76 million.

Product Sales

Our flagship product “Osteoform calcium amino acid chelate capsule” has suffered from uncertainties of renewing the import drug license, sales volume in the period under review were dropped. Its sales turnover was approximately HK\$235 million in the reporting period, which has contributed about 76% of the Group’s sales turnover.

For the other house products: “Aotianping” Miglitol Tablets, Fenofibrate Tablet, Aceclofenac Tablet and 2 antibiotic products developed by the Group, the sales turnover for the reporting period was around HK\$6.1 million. It is slightly increased when compared to approximately HK\$5.5 million for the corresponding period.

For the overseas agency products, the Group is trading products of Madaus GmbH, Germany. Due to the reason that the Group was undergoing a reform on its distributors in the first quarter of 2009, the sales of its agency products were affected. Since the reform had been implemented, and the sales has been picked up. The Group has recorded sales of approximately HK\$44 million in the reporting period. It had increased by around 19% when compared to approximately HK\$37 million for the corresponding period.

“Osteoform Vitamins with minerals dispersible tablet”, a compound vitamin 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 2009. The sales turnover for the reporting period was around HK\$12 million.

Selling and Distribution Expenses

The selling and distribution expenses for the period under review were approximately HK\$77 million, decreased significantly by about 48% when compared to approximately HK\$149 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 sales turnover ratios were maintained at a low level, the ratio for the reporting period was approximately 25%, whereas the ratios for the corresponding period and for the last whole year were around 28% and around 26% 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 product "Clarithromycin Capsules", "Azithromycin Capsules", "Aceclofenac Tablets" and "Aotianping" ("Miglitol Tablets") etc. in the reporting period. A new drug to gynaecology called "Hongjinxiaojie Tablet" has been launched into market during the third quarter.

The Production Base in Wuhan, Hubei Province, the PRC

During the reporting period, major production included a new drug "Glimepiride orally disintegrating tablets" – medication for diabetes, "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 period under review. Solution for injection related products are pending for approval. Due to the plant has not put into operation since its completion, the excess office area had been leased out to bring additional revenue to the Group.

Sichuan Hengtai Pharmaceutical

During the Period, Sichuan Hengtai has been dedicated to the promotion of new products, including Taurolite® Tauroursodeoxycholic acid capsules, a medication for cholelithiasis manufactured by Bruschetti S.r.l. Genova (Italy), and "Osteoform Vitamins with minerals dispersible tablet", and had successfully organized academic trainings and expert conferences in respect of its products in several regions of the PRC. Sichuan Hengtai has also enabled market expansion and specialization for other traditional products of the Group like "Vital Fast", "Legalon" and "Uralyt-U" so as to fortify a solid foundation for promotion and sales.

BUSINESS OUTLOOK

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.

By Order of the Board
Vital Pharmaceutical Holdings Limited
Xu Xiaofan
Chairman

Hong Kong, 21 December 2009

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.