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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 THREE MONTHS ENDED 31 MARCH 2009**

The unaudited quarterly results for the three months ended 31 March 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 29 June 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 QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2009

		(Unaudited)	
		3 months ended 31 March	
		2009	2008
	NOTES	HK\$'000	HK\$'000
Turnover	2	135,043	132,531
Cost of sales		<u>(33,719)</u>	<u>(50,178)</u>
Gross profit		101,324	82,353
Other operating income		983	1,890
Selling and distribution expenses		(32,315)	(29,196)
Administrative expenses		(35,971)	(22,660)
Finance costs		<u>(611)</u>	<u>(3,765)</u>
Profit before taxation		33,410	28,622
Income tax expense	3	<u>(3,594)</u>	<u>(3,343)</u>
Profit for the period		<u>29,816</u>	<u>25,279</u>
Attributable to:			
Owners of the parent		29,892	25,380
Minority interests		<u>(76)</u>	<u>(101)</u>
		<u>29,816</u>	<u>25,279</u>
Earnings per share	5		
Basic, for profit for the period attributable to ordinary owners of the parent		<u>HK1.93 cents</u>	<u>HK1.64 cents</u>
Diluted, for profit for the period attributable to ordinary owners of the parent		<u>HK1.93 cents</u>	<u>HK1.63 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2009

	(Unaudited)	
	3 months ended 31 March	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	29,816	25,279
Other comprehensive income for the period		
Exchanges differences on translation of foreign operations	–	20,922
Net gain on available-for-sale financial assets	256	–
Other comprehensive income for the period, net of tax	256	20,922
Total comprehensive income for the period, net of tax	30,072	46,201
Attributable to:		
Owners of the parent	30,148	46,302
Minority interests	(76)	(101)
	30,072	46,201

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 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 2008 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 2009.

2. TURNOVER

The Group is principally engaged in research and development, selling, distributing 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 development, selling, distributing 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	
	2009	2008
	HK\$'000	HK\$'000
Overseas income tax		
– current period	<u>3,594</u>	<u>3,343</u>

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 both periods.

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.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries was reduced from 33% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries ranged from 15% to 25% (2008: 15% to 25%).

In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, one (2008: one) subsidiary operating in the PRC are entitled to exemption from PRC Enterprise Income Tax in the first two years from the first profit-making year, followed by a 50% reduction of PRC Enterprise Income Tax for the next three years and thereafter, preferential treatments which are subject to the relevant law and regulation.

One subsidiary obtained approval from the relevant tax bureau and qualified as a High and New Technology Enterprise which is subject to a tax rate of 15% (2008: 15%).

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

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 quarters.

4. INTERIM DIVIDEND

The Board does not recommend any interim dividend for the first quarter ended 31 March 2009 (first quarter ended 31 March 2008: Nil).

5. EARNINGS PER SHARE

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

	(Unaudited)	
	3 months ended 31 March	
	2009	2008
Earnings		
Profit for the period attributable to owners of the parent for the purposes of basic and diluted earnings per share (<i>HK\$'000</i>)	<u>29,892</u>	<u>25,380</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>6,059,088</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,551,056,993</u>	<u>1,557,116,081</u>

For the three months ended 31 March 2009, 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

For the first quarter of 2009, the consolidated sales turnover of the Group was around HK\$135 million and had increased slightly by approximately HK\$2 million, as compared to the first quarter of 2008. During the period under review, the synergies effect on the corporate organisation since the acquisition of Sichuan Hengtai has enhanced the gross profit margin, and the Group repaid all banks borrowings during the first quarter of 2009 which lead to a decrease in interest expense, the profits attributable to owners of the parent increased to approximately HK\$29.9 million, representing an increment of approximately 17% as compared to HK\$25.4 million for the first quarter of 2008. The Group had approximately HK\$94 million bank balances and cash as at 31 March 2009.

Product Sales

For the first quarter of 2009, our flagship product “Osteoform calcium amino acid chelate capsule” has maintained a steady market share. Its sales turnover was approximately HK\$129 million in the current period, which had increased by around 12% when compare to the sales turnover of HK\$115 million in the first quarter of 2008. The “Osteoform calcium amino acid chelate capsule” contributed to about 96% of the Group’s sales turnover. For the other house products: Fenofibrate Tablet, Aceclofenac Tablet and 2 antibiotic products developed by the Group, the sales turnover for the first quarter of 2009 was around HK\$1.2 million, which was comparable to the corresponding period.

“Vital Fast”, a new flu medication of the Group, turnover during the first quarter of 2009 was approximately HK\$2.5 million, representing a growth of approximately 200% when compare to the corresponding period.

Caused by the adverse effect of “Depile Capsules” at the end of year 2008, the Group had suspended the manufacturing, selling and use of “Depile Capsules” and has voluntarily recalled the products from the market. As a result, the Group has not recorded any sales of “Depile Capsules”, while had recorded approximately of HK\$0.5 million sales return, in the first quarter of 2009, whereas the turnover of corresponding period was approximately HK\$2.3 million.

For the overseas agency products, the Group is trading products of Madaus GmbH, Germany. Due to the reason that the Group is now undergoing a reform on its distributors, the sales of its agency products were affected, the Group was recorded sales of only approximately HK\$2 million in this quarter, which had dropped significantly when compared to the sales of approximately of HK\$10 million for the corresponding period. However, the Board believes that the sales will be boosted once the reform had been completed in mid of year 2009.

Selling and Distribution Expenses

The selling and distribution expenses for this quarter were approximately HK\$32 million, had a slightly increased of approximately HK\$3 million from approximately HK\$29 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 respect of selling and distribution expenses to sales turnover ratio, it was decreased to approximately 24% for this 3 months period. Whereas the ratio for the last whole year was around 26%, which representing a decreased of around 2% in the period under review.

Sichuan Hengtai Pharmaceutical Company Limited

As part of its mission to introduce new products during the quarter under review, Sichuan Hengtai through its research and marketing departments spared no efforts in the collaboration with research institutions and upstream manufacturers, both at home and abroad, ensuring effective exchange of information and engaging in negotiations with certain entities for the possibilities of strategic cooperation in product development. The objective is to fast expand its product range in the hope of increasing the Group's income.

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 "Clarithromycin Capsules", "Azithromycin Capsules", "Aceclofenac Tablets", and "Aotianping" ("Miglitol Tablets"). Due to uncertainties of the renewal of import drug license of Osteoform calcium amino acid chelate capsule, the production base has been implemented human resources restructuring and to minimize headcount. The Group has provided provision for compensation on staff redundant of approximately HK\$7 million (included in administrative expenses).

The Production Base in Wuhan, Hubei Province, the PRC

Major production in the first quarter of 2009 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 first quarter of 2009. Solution for injection related products are pending for approval. The plant has not put into operation since its completion. The excess office area had been leased out in first quarter of 2009 to bring additional revenue to the Group.

BUSINESS OUTLOOK

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. As at the date of this announcement, the Group has not yet received an outcome from the State Food and Drug Administration in the PRC. The Company is doing its best endeavours to assist with the renewal application and hopes that a successful renewal would follow as soon as possible. According to sales plan of Osteoform calcium amino acid chelate capsule up to end of June 2009, inventory of Osteoform calcium amino acid chelate capsule is estimated to be sold out in third quarter of 2009. In view of the possible discontinuation of packing process and sale of Osteoform calcium amino acid chelate capsule, the Group intends to diversify its product range based on the Group's relevant experiences and expertise.

During the second quarter of 2009, riding on the Group's success in establishing Osteoform calcium amino acid chelate capsule as a leading brand in the mineral supplement market on the PRC, the Group introduced Osteoform Vitamins with minerals dispersible tablet, a compound vitamin product, into the "Osteoform" family. The product was developed for the prevention and treatment of disease caused by lack of vitamins and minerals and has been launched into the market during the second quarter of 2009. In a unique form of dispersible tablet, Osteoform Vitamins with minerals dispersible tablet outperforms conventional products by 40% in terms of absorption rate of vitamins, better catering for the demand of the domestic consumers.

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 food 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
Tao Lung
Chairman

Hong Kong, 29 June 2009

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.