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

(Incorporated in the Cayman Islands with limited liability)
(formerly known as Vital Pharmaceutical Holdings Limited 維奧醫藥控股有限公司)
(Stock code: 1164)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

	(unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Turnover <i>(Note 1)</i>	162,700	249,005
Profits attributable to owners of the Company	34,995	37,254
Basic earnings per share	HK2.26 cents	HK2.40 cents
Diluted earnings per share	HK2.26 cents	HK2.40 cents
Interim dividend per share	Nil	Nil

(Note 1)

Comparative figure for the six months ended 30 June 2009 has been reclassified to conform to current period's presentation. In view of the introduction of new property investment segment, rental income has been reclassified from other operating income to turnover.

- Turnover of the Group was about HK\$163 million, a decrease of approximately 35%, year-on-year;
- Profits attributable to owners of the Company decreased by approximately 6% year-on-year to around HK\$35 million;
- Basic earnings per share was approximately HK2.26cents;
- The Board would not recommend the payment of an interim dividend.

The board of directors (the “Board”) of Vital Group Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010, together with the comparative figures for the corresponding period of 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)
Turnover	4	162,700	249,005
Cost of sales		(51,104)	(69,364)
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Gross profit		111,596	179,641
Other operating income		10,809	3,013
Selling and distribution expenses		(38,253)	(59,804)
Administrative expenses		(45,492)	(49,139)
Impairment loss recognised in respect of goodwill		–	(29,982)
Finance costs		(249)	(679)
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Profit before taxation		38,411	43,050
Income tax expense	5	(1,815)	(5,908)
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Profit for the period	6	36,596	37,142
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Profit attributable to:			
Owners of the Company		34,995	37,254
Non-controlling interests		1,601	(112)
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		36,596	37,142
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Earnings per share			
Basic and diluted	8	HK2.26 cents	HK2.40 cents
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Profit for the period	36,596	37,142
Other comprehensive income		
Exchange differences arising during the period	–	(1,195)
Reclassification adjustments relating to foreign operations deregistered during the period	(1,459)	–
	(1,459)	(1,195)
Available-for-sale investments		
Net gain arising on revaluation of available-for-sale investments during the period	333	1,285
Reclassification adjustments relating to available-for-sale investments disposed of during the period	(683)	5
	(350)	1,290
Gain arising on transfer of property, plant and equipment and prepaid lease payments to investment properties at fair value	5,723	–
Deferred tax liability arising on gain on transfer of property, plant and equipment and prepaid lease payments to investment properties at fair value	(1,431)	–
	4,292	–
Other comprehensive income for the period, net of tax	2,483	95
Total comprehensive income for the period, net of tax	39,079	37,237
Total comprehensive income for the period attributable to:		
Owners of the Company	37,478	37,349
Non-controlling interests	1,601	(112)
	39,079	37,237

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	<i>Notes</i>	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Non-current assets			
Intangible assets		2,186	3,030
Property, plant and equipment		184,263	203,015
Investment properties		92,229	74,384
Prepaid lease payments on land use rights		31,835	38,711
Deposit for acquisition of property, plant and equipment		5,009	4,201
Available-for-sale investments		–	2,331
Goodwill		74,924	74,924
		390,446	400,596
Current assets			
Deposit for acquisition of land use rights	9	115,765	–
Inventories		76,563	73,730
Trade and other receivables	10	98,109	69,241
Prepaid lease payments on land use rights		670	800
Income tax recoverable		8,091	9,118
Value added tax recoverable		–	5,537
Held-for-trading investment		1,548	2,121
Bank balances and cash			
– pledged		4,031	668
– unpledged		128,074	163,291
		432,851	324,506
Current liabilities			
Trade and other payables	11	115,691	58,993
Value added tax payable		3,111	–
Income tax payable		211	–
Obligations under finance leases		–	446
		119,013	59,439
Net current assets		313,838	265,067
		704,284	665,663

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Capital and reserves		
Share capital	15,511	15,511
Reserves	671,349	633,871
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Equity attributable to owners of the Company	686,860	649,382
Non-controlling interests	2,409	808
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	689,269	650,190
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Non-current liabilities		
Other payables	889	2,778
Deferred tax liabilities	14,126	12,695
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	15,015	15,473
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	704,284	665,663
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1. General

Vital Group Holdings Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liabilities. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (collectively referred to the “Group”) are selling, distributing and manufacturing of pharmaceutical and food products and property investment.

Pursuant to a special resolution passed at the annual general meeting held on 2 June 2010, the name of the Company was changed from Vital Pharmaceutical Holdings Limited 維奧醫藥控股有限公司 to Vital Group Holdings Limited 維奧集團控股有限公司. The “Certificate of Incorporation on Change of Name” has been issued by the Registrar of Companies in the Cayman Islands and the change of name took into effect on 2 June 2010.

2. Basis of Preparation

The condensed interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

3. Principal Accounting Policies

The condensed interim financial information has been prepared on the historical costs basis except for certain investment properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except as described below.

3. Principal Accounting Policies *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2010.

Hong Kong Financial Reporting Standards (“HKFRSs”) (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Interpretation (“INT”) 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The adoption of the other new and revised HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

3. Principal Accounting Policies *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. 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 rental income during the period.

In the past, no segment analysis of financial information was presented as the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the selling, distributing and manufacturing of pharmaceutical and food products.

During current interim period, a new segment of property investment was introduced as a result of the acquisition of land use rights as set out in note 9. 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 and residential properties.

No operating segments have been aggregated to form the above operating segments.

4. Turnover and Segment Information *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the six months ended 30 June 2010 and 2009, respectively:

Six months ended 30 June 2010

	Pharmaceutical and food HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Turnover	160,854	1,846	162,700
Segment profit	42,710	1,458	44,168
Other income and gains			10,733
Central administrative costs			(16,241)
Finance costs			(249)
Profit before taxation			38,411

Six months ended 30 June 2009

	Pharmaceutical and food HK\$'000 (Unaudited)	Property investment HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Turnover	247,087	1,918	249,005
Segment profit	46,212	1,617	47,829
Other income and gains			2,313
Central administrative costs			(6,413)
Finance costs			(679)
Profit before taxation			43,050

4. Turnover and Segment Information *(Continued)*

Segment revenue and results *(Continued)*

Segment profit represents the profit earned by each segment without allocation of central administrative costs including directors' salaries, other income and gains and finance costs. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

Segment assets

The following is an analysis of the Group's assets by operating segments as at 30 June 2010 and 31 December 2009:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Pharmaceutical and food	473,407	472,819
Property investment	207,994	74,384
	681,401	547,203
Unallocated corporate assets	141,896	177,899
	823,297	725,102

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than available-for-sale investments, held-for-trading investment, income tax recoverable, bank balances and cash and other assets for corporate use which including property, plant and equipment and other receivables.

5. Income Tax Expense

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
People's Republic of China ("PRC") Enterprise Income Tax		
– current period	2,758	5,925
– over provision in prior year	(943)	–
	1,815	5,925
Deferred taxation	–	(17)
	1,815	5,908

Hong Kong Profits Tax has not been provided for in the condensed interim financial information as there was no estimated assessable profit derived from Hong Kong for both periods.

The Hong Kong Profits Tax amounting to HK\$6,031,000 of a subsidiary of the Company in respect of the years of assessment 2000/01 and 2001/02 are under inquiries by the Hong Kong Inland Revenue Department (the "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 income tax recoverable as at 30 June 2010 and 31 December 2009.

During the period ended 30 June 2009, the IRD further issued protective profits tax assessments of approximately HK\$1,760,000 to that subsidiary of the Company relating to the year of assessment 2002/03, that is, for the financial year ended 31 December 2002. The Group lodged objections with the IRD against the protective assessments and purchased a tax reserve certificate of approximately HK\$1,760,000 during the period ended 30 June 2009 as demanded by the IRD. The amount was recorded as income tax recoverable as at 30 June 2010 and 31 December 2009.

5. **Income Tax Expense** *(Continued)*

The Group had received an advice from a tax expert that, the profits of that subsidiary for the years of assessment 2000/01 and 2001/02 were neither arisen in nor derived from Hong Kong. The directors of the Company believes 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 and since that subsidiary's operation has remained unchanged during the financial years 2000 to 2002. Accordingly, no provision for profits tax is required.

During the period ended 30 June 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 period ended 30 June 2009 as demanded by the IRD. The amount was recorded as income tax recoverable as at 30 June 2010 and 31 December 2009.

The directors of the Company believes 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% from 1 January 2008 onwards.

Certain PRC subsidiaries obtained approval from the relevant tax bureau and are qualified as a High and New Technology Enterprises which are subject to a tax rate of 15% for the current and previous periods.

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 for the current and previous periods.

5. Income Tax Expense *(Continued)*

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.

6. Profit for the Period

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	844	737
Amortisation of prepaid lease payments on land use rights	399	494
Depreciation of property, plant and equipment	7,461	10,668
Government subsidies income	–	(541)
Impairment loss recognised in respect of trade receivables	3,902	1,243
Impairment loss recognised in respect of prepayments and deposits	–	1,501
Written off of other receivables	467	–
Written off of payments for pharmaceutical projects	368	–
Decrease (increase) in fair value of held-for-trading investment	573	(857)
Loss on disposal of available-for-sale investments	9	5
Loss on disposal of property, plant and equipment	6,959	140
(Reversal of) provision for compensation of staff redundant	(1,556)	6,666
Research and development costs	235	507
Bank interest income	(1,260)	(106)
Dividend income from held-for-trading investment	(332)	–
Exchange loss (gain)	1,831	(495)
Reversal of impairment losses recognised in respect of deposits	(2,778)	–
Write back of long outstanding payables	(3,219)	–
Gain on deregistration of a subsidiary	(1,585)	–

7. Interim Dividend

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

8. Earnings Per Share

The calculations of basic and diluted earnings per share for the six months ended 30 June 2010 are based on the profit attributable to owners of the Company of approximately HK\$34,995,000 (six months ended 30 June 2009: HK\$37,254,000) and the weighted average number of 1,551,056,993 ordinary shares in issue during the six months ended 30 June 2010 and 2009.

For the six months ended 30 June 2010 and 2009, the computation of dilutive earnings per share does not assume the exercise of the Company's outstanding share options as the exercises price of those options is higher than the average market price for shares. Hence, the dilutive earnings per share is the same as basic earnings per share for the six months ended 30 June 2010 and 2009.

9. Deposit for Acquisition of Land Use Rights

During the current interim period, Chengdu Wenjiang Vital Property Development Company Limited, a wholly-owned subsidiary of the Company entered into a land grant contract with Chengdu Bureau of Land Resources (the "Bureau") to acquire land use rights for a piece of land located at Chengdu in the PRC for property development at total consideration of approximately RMB204,570,000 (equivalent to approximately HK\$227,302,000). As at 30 June 2010, deposit of approximately HK\$113,651,000 together with auction service charge of approximately HK\$2,114,000 has been paid to the Bureau. Details of the transaction have been set out in the Company's circular dated 9 June 2010.

10. Trade and Other Receivables

The Group normally grants to its trade customers credit periods ranging from 90 days to 180 days which are subject to periodic review by management.

The aged analysis of the Group's trade and bills receivables, presented based on invoice date, net of impairment loss, is as follows:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Within 30 days	28,590	13,979
31-60 days	23,312	14,823
61-90 days	11,261	12,998
Over 90 days	15,518	10,401
	78,681	52,201

11. Trade and Other Payables

Included in trade and other payables are trade and bills payables with the following ageing analysis:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Within 30 days	15,904	5,008
31 – 60 days	956	60
61 – 90 days	13	28
Over 90 days	405	366
	17,278	5,462

12. Commitments

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed interim financial information in respect of the acquisition of:		
– Property, plant and equipment	3,450	4,014
– Land use rights for property development	113,651	–
– Technical know-how	504	571
	117,605	4,585

13. Pledge of Assets

At 30 June 2010 and 2009, certain assets of the Group were pledged to secure banking facilities granted to the Group as follows:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Property, plant and equipment	40,019	40,304
Investment properties	74,897	57,898
Bank balances and cash	4,031	668
Prepaid lease payments on land use rights	1,710	16,270
	120,657	115,140

14. Comparative Figures

Certain comparative figures have been reclassified to conform to current year's presentation. The directors of the Company consider that reclassification of rental income and other taxes from other operating income to turnover and to administrative expenses in the condensed consolidated income statement is more meaningful in view of the introduction of new property investment segment as detailed in note 4. In addition, comparative amounts are provided in respect of this new segment.

BUSINESS REVIEW

Results

I am pleased to announce the unaudited results of Vital Group Holdings Limited (“Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010 (“period under review” or “reporting period”). During the period under review, the consolidated turnover of the Group decreased by 35% year-on-year to approximately HK\$163 million from HK\$249 million.

During the period under review, in regard to uncertainties of renewing the import drug license of “Osteoform calcium amino acid chelate capsule”, the Group had ceased the sales of “Osteoform calcium amino acid chelate capsule” which leads a fall back on the consolidated sales turnover of the Group. During the period under review, although the turnover of the Group decreased by 35%, the Group had focused on cost cutting and resulted in the decrease in selling and distributing expenses and administrative expenses. The profits attributable to owners of the Company decreased to approximately HK\$35 million, representing a decrement of approximately 6% only as compared to HK\$37 million for the corresponding period.

Pharmaceutical and Food Industry

Product Sales

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

The Group’s new 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 for the first half of year 2010 was approximately HK\$105 million.

“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 half of year 2010 was around HK\$8 million.

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

“Vital Fast”, a new flu medication of the Group, turnover during the reporting period was approximately HK\$4 million, representing a draw back of approximately 21% when compare to the corresponding period.

Madaus products

For the trading of overseas agency 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\$35 million in the first half of 2010, representing a growth of approximately 115% when compare to the corresponding period.

BUSINESS REVIEW *(Continued)*

Pharmaceutical and Food Industry *(Continued)*

Product Sales (Continued)

“Taurolite®”, a prescription medication capable of dissolving the cholesterol stones formed in the gallbladder and bile-duct

“Taurolite®” Tauroursodeoxycholic acid capsule, it cures and prevents such liver diseases as cholelithiasis and chronic bile stasis. In the case of cholesterol stone smaller than 2cm, sufferers may simply dissolve it by taking the medication without having to undergo operation. “Taurolite®” has been launched into the market during the second half of year 2009. The sales turnover for the first half of year 2010 was around HK\$1.5 million.

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 is principally responsible for the production of the Group’s products “Aceclofenac Tablets”, “Aotianping” (Miglitol Tablets), and the new drug to gynaecology called “Hongjinxiaojie Tablet”. Due to adjustment of production planning of the Group, the factory temporary suspended its production in the first quarter and has resumed in the second quarter.

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 new food product “Osteoform Calcium Food”.

The production base of injection products

Preparation work for trial production has been launched in the first quarter of year 2010 and GMP certification on the specification of solution for injection will take place in the second half of the year. Meanwhile, “Diammonium Glycyrrhizinate” and “Tetracaine Hydrochloride for Injection” are expected to put into production by end of this year. Sales and marketing team are established and prepared for launching these products.

BUSINESS REVIEW *(Continued)*

Pharmaceutical and Food Industry *(Continued)*

Sichuan Hengtai Pharmaceutical Company Limited

From 2010 onwards, Sichuan Hengtai has been adhering to its core marketing strategy of academic promotion, integrating and introducing new marketing strength from academia thereby putting together the best possible marketing team. As regards marketing of new products, combining the newly-introduced influence from the academic circle with the existing capabilities of its own to enhance cooperation with state-level academic institutions, the company is able to organize or participate in various professional conferences across the nation and in turn initiate the clinical application of its products in hospitals. Meanwhile, the company remains committed to introducing and promoting new products as well as high-end patented products imported from abroad. As a result, the products of the company have been gaining importance nationwide. On OTC product front, the major customer management approach adopted since the second half of last year works well in stabilizing the sales to end-users. The nationwide business network provides a fast-moving and effective channel for the sales of such food stuff as the newly-launched “Osteoform compound calcium amino acid chelate food capsule” and is instrumental in boosting sales volume.

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, 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 early 2011 and completion of the whole development is scheduled to take place within three years.

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\$1.8 million rental income to the Group.

BUSINESS OUTLOOK

In order to grasp the opportunities, the Group intends to diversify its product range based on the Group's relevant experiences and expertise, including health food market development and pharmaceutical product range diversification. 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.

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. The bid for the land parcel in Chengdu city, PRC, in May 2010 represents an opportunity to tap into the PRC property market and such opportunity would enhance the shareholders' value in the long run.

FINANCIAL REVIEW

Capital structure

As at 30 June 2010, the Company had in issue 1,551,056,993 ordinary shares (31 December 2009: 1,551,056,993 shares). During the first half of year 2010, no new shares were issued (Year 2009: nil).

The market capitalization of the Company as at 30 June 2010 was approximately HK\$321 million (31 December 2009: approximately HK\$284 million).

Liquidity and financial resources

As at 30 June 2010, the Group has no bank borrowing (31 December 2009: nil). Bank balances and cash amounted to approximately HK\$132 million (31 December 2009: approximately HK\$164 million), including pledged bank deposits of approximately HK\$4 million (31 December 2009: approximately HK\$0.7 million).

As at 30 June 2010, the Group has obtained banking facilities of approximately HK\$222 million (31 December 2009: HK\$167 million) from banks in China. Unutilised banking facilities amounted to approximately HK\$211 million (31 December 2009: HK\$167 million). The average cost of financing during the 6 months ended 30 June 2010 was not applicable as the Group has no bank borrowing (Year 2009 average: 6% per annum). The Group has maintained sufficient financial resources for business operation purpose. The Group has no seasonality of borrowing requirement.

FINANCIAL REVIEW *(Continued)*

Liquidity and financial resources *(Continued)*

The Group adopts a conservative funding and treasury policies and objectives. The Group had repaid all banks borrowings in last year. As at 30 June 2010, there was no bank borrowing (31 December 2009: nil).

In relation to cash and bank balances amounting to approximately HK\$132 million (31 December 2009: HK\$164 million), approximately 88% (2009: 94%) of which was denominated in RMB, approximately 3% (2009: 3%) was denominated in Hong Kong dollar and approximately 9% (2009: 3%) was denominated in other currencies, as at 30 June 2010.

Exposure to foreign exchange risk and Currency policy

During the reporting period and the corresponding period, the sales receipts of the Group were mainly denominated in RMB. Purchases were denominated as to approximately 56% in RMB, approximately 41% in USD and approximately 3% in EURO (First half of year 2009: 59% in RMB and 41% in EURO). Operating expenditures including selling and distribution expenses and administrative expenses were denominated as to approximately 80% in RMB (First half of year 2009: 88%), others are in HKD, AUD, USD and Macau Pataca, etc. For the six months ended 30 June 2010, the Group did not enter into any forward contracts, interest or currency swaps, or other financial derivatives for hedging purpose. During the reporting period, the Group did not experience any material difficulty or negative effect on its operations or liquidity as a result of fluctuations on currency exchange rates.

Contingent liabilities

As at 30 June 2010, the Group had no material contingent liabilities (2009: Nil).

Key financial figures and ratios

Profit and loss item:

Gross profit margin: The average gross profit margin of the first half of year 2010 was around 69%, decreased by 3% when compared with around 72% for the corresponding period. Such decrease was mainly attributed by the Group's products mix sold in the reporting period has changed, the turnover recorded for products with higher gross profit margin in the reporting period had dropped when compared with the corresponding period.

Selling and Distribution Expenses: The selling and distribution expenses for the period under review were approximately HK\$38 million, decreased by about 36% when compared to approximately HK\$60 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 24%, whereas the ratios for the corresponding period and for the last whole year were around 24% and around 29% respectively.

FINANCIAL REVIEW *(Continued)*

Key financial figures and ratios *(Continued)*

Profit and loss item: *(Continued)*

Administrative expenses: Although inflation rate and operation cost were risen, the Group focused on tightening its budget control and expenses to cut down administrative costs. The administrative expense was decreased from approximately HK\$49 million in the corresponding period to approximately HK\$45 million in current period.

Finance costs: The Group had repaid all bank borrowings in the first half of last year. Therefore, the finance costs was dropped significantly from approximately HK\$0.7 million in the corresponding period to approximately HK\$0.3 million in the current period.

Income Statement item:	Six months ended 30 June	
	2010	2009 <i>(Note 1)</i>
Turnover (HK\$' million)	163	249
Gross profit margin	69%	72%
Selling and distribution expenses (HK\$' million)	38	60
Gross profit margin after selling and distribution expense	45%	48%
Profits attributable to owners of the Company/Turnover	22%	15%
EBITDA (HK\$' million)	47	56
EBITDA/Turnover	29%	22%

Notes:

1. Comparative figures for the six months ended 30 June 2009 have been reclassified to conform to current period's presentation. In view of the introduction of new property investment segment, rental income has been reclassified from other operating income to turnover.

Statement of financial position item:

Gearing ratio: Taken into account of the Group had repaid all bank borrowings in the first half of last year, there was no outstanding bank borrowing as at 30 June 2010 and 31 December 2009, as such, the debt equity ratio (total bank borrowings/equity attributable to equity holders of the Company, net of intangible assets and goodwill) were 0%.

FINANCIAL REVIEW *(Continued)*

Key financial figures and ratios *(Continued)*

Statement of financial position item: *(Continued)*

During the reporting period, the Group had implemented the cash on delivery policy on some products and customers, and hence, the average trade receivable turnover days had dropped down to around 73 days. For the average inventory turnover days (exclude goods in transit), because of stock up in order to satisfy future demand, had climbed up to around 230 days.

	As at 30 June 2010	As at 31 December 2009
Statement of financial position item:	HK\$' million	HK\$' million
Short-term bank loans	-	-
Long-term bank loans	-	-
Bank balances and cash	132	164
Net tangible assets	612	572
Gearing ratio	0%	0%
Average trade receivable turnover day	73 days	87 days
Average inventory turnover day	230 days	216 days

As of 30 June 2010, the Group had approximately HK\$4 million bank balances and cash, approximately HK\$40 million property, plant and equipment, approximately HK\$2 million prepaid lease payments on land use rights and approximately HK\$75 million investment properties were pledged as collateral to banks.

For the 6 months ended 30 June 2010, return on equity (annualised) was on average of approximately 10%.

Employee Information

As at 30 June 2010, the Group had 1,007 employees (30 June 2009: 1,302), comprising 17 in research and development, 170 in production, 656 in sales, and 164 in general administration and finance. 984 of these employees were located in Mainland China, and 23 in Hong Kong and Macau.

The policy of employee remuneration, bonus, share option scheme and training are commensurate with performance and comparable to market rate. The Group encourages employees to participate in external training programmes to develop themselves on a continuous basis, so as to improve staff quality to meet future challenges and gain a competitive edge. Total staff costs (including director emolument) for the reporting period amounted to approximately HK\$31 million (First half of 2009: HK\$44 million).

Purchase, Sale or Redemption of Securities

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Change of Company Name

Subsequent to the passing of a special resolution by the shareholders of the Company at the annual general meeting held on 2 June 2010, the name of the Company has been changed from Vital Pharmaceutical Holdings Limited to Vital Group Holdings Limited.

Major Transaction

On 6 May 2010, the agent of the Company received the confirmation letter from the Bureau of Land Resources confirming the successful bid for the land which is 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 at an aggregate consideration of approximately RMB204.6 million. Details of the major transaction in relation to the land acquisition have been set out in the Company's circular dated 9 June 2010. Such transaction has been approved by passing of a resolution by the shareholders of the Company at the extraordinary general meeting held on 25 June 2010.

Dividend

The Board would not recommend the payment of an interim dividend for the six months ended 30 June 2010 (30 June 2009: Nil).

Review of Interim Results

The unaudited interim financial report of the Group for the six months ended 30 June 2010 have been reviewed by the Company's audit committee and auditors, SHINEWING (HK) CPA Limited.

Audit Committee

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external and internal audit, internal controls and risk evaluation.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters with the management. The Group's financial statements for the six months ended 30 June 2010 have been reviewed and adopted by the Audit Committee, who is of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made. The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Lui Tin Nang (Audit Committee chairman), Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, the chairman and an executive director of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management and making recommendations to the board of directors from time to time.

Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the principle standards of securities transactions for directors of the Company. All directors have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the period.

Corporate Governance

The Company is in compliance with all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2010.

On behalf of the Board

XU Xiaofan

Chairman

Hong Kong, 23 August 2010

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.