Vital BioTech Holdings Limited
維奧生物科技控股有限公司

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

ANNOUNCEMENT – UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

The unaudited results for the nine months ended 30 September 2007 ("Unaudited Results") of Vital BioTech Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") was approved by the board of directors of the Company (the "Board") on 14 December 2007. The Company voluntarily announces its Unaudited Results pursuant to the requirements set out in chapter 13 of the Listing Rules.

UNAUDITED RESULTS FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2007 ("Unaudited Results"):

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

Condensed Consolidation Income Statement:

		(Unaudited) 9 months ended 30 September	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**366,417**	327,366
Cost of sales		**(119,549)**	(109,169)
Gross profit		**246,868**	218,197
Other revenues		**13,128**	2,165
Selling and distribution expenses		**(144,549)**	(126,236)
Administrative expenses		**(57,605)**	(55,177)
Finance costs		**(7,625)**	(9,954)
Profit before taxation		**50,217**	28,995
Taxation	*3*	**(10,677)**	(5,349)
Profit for the period		**39,540**	23,646
Attributable to:			
Equity holders of the Company		**39,729**	23,871
Minority interests		**(189)**	(225)
		39,540	23,646
Third quarter dividend per share	*4*	**Nil**	Nil
Earnings per share – basic	*5*	**HK2.57 cents**	HK1.55 cents
Earnings per share – diluted	*5*	**HK2.56 cents**	HK1.55 cents

As the Unaudited Results may not reflect the results for the year ending 31 December 2007, 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 2006 annual report. Certain comparative figures have been reclassified to conform to the current period's presentation. The audit committee of the Company, which consists of three independent non executive directors, has reviewed the results announcement for the 9 months ended 30 September 2007.

2. Turnover

The Group are principally engaged in research and development, selling and manufacturing of pharmaceutical products. Turnover represents invoiced value of sales, net of returns, discounts allowed and sales taxes where applicable and subcontract manufacturing income. The Group's revenues, expenses, assets, liabilities and capital expenditure are primarily attributable to the sales and manufacturing of pharmaceutical products. The Group's principal market is in the People's Republic of China (the "PRC"). Neither the business segments of the subcontract manufacturing businesses nor the geographical segment in other country are of a sufficient size to be reported separately.

3. Taxation

	(Unaudited) 9 months ended 30 September	
	2007	2006
	HK$'000	*HK$'000*
Overseas income tax		
– Current period	**11,730**	6,949
– Over provision in prior years	**(1,053)**	(1,600)
	10,677	5,349

Hong Kong Profits Tax has not been provided for in the condensed consolidated income statement as there was no estimated assessable profits derived from both periods.

The Hong Kong Profits Tax amounting in total to HK$6,031,000 of a subsidiary of the Company for the 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.

In accordance with the relevant regulations, approvals from relevant local tax bureaus and Foreign Enterprise Income Tax Law in the PRC, certain subsidiaries operating in the PRC are entitled to exemption from income tax in the first two years from the first profit-making year, 50% reduction of income tax in the subsequent three years and thereafter, preferential treatments which are subject to the relevant law and regulations. One subsidiary was taxed at 13% (2006: 10.5%). Another subsidiary has incurred a loss and no income tax is payable for the period (2006: Nil). Other subsidiaries were either in loss-making position for the current and the previous periods 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.

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 periods.

4. Quarterly dividend

The Board does not recommend any quarterly dividend for the third quarter ended 30 September 2007 (Third quarter 2006: Nil).

5. Earnings per share

The calculations of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	(Unaudited) 9 months ended 30 September	
	2007	2006
Earnings		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share *(HK$'000)*	**39,729**	23,871
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,544,870,000**	1,541,707,000
Effect of dilutive ordinary shares in respect of share options	**8,276,000**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,553,146,000**	1,541,707,000

BUSINESS REVIEW

For the nine months ended 30 September 2007 (the "period under review" or the "current period"), the consolidated sales turnover of the Group were increased to around HK$366.4 million, which represented a growth of approximately HK$39 million, or 11.9%, when compared to the corresponding period of year 2006, due to satisfactory sales of our flagship product, Osteoform. For the current period, as a result of tightening administrative expenses approach adopted by the Company, and the Group has received government grants about HK$9.8 million, the profits attributable to equity holders increased significantly by approximately HK$15.9 million year-on-year basis to approximately HK$39.7 million.

Product Sales

Our flagship product "Osteoform" has maintained a steady market share. Its sales turnover was approximately HK$333 million in the period under review, increased by 8% from HK$307 million of the last corresponding period. Turnover of Osteoform has contributed about 91% of the Group's total sales turnover. For the other house products: such as Depile Capsule, Fenofibrate Tablet, Aceclofenac Tablet and 2 antibiotic products developed by the Group, the sales turnover for the period under review was around HK$7.8 million. It is slightly increased when compared to approximately HK$7.5 million for the last corresponding period.

For the overseas agency products, the Group is trading products of Madaus GmbH, Germany. The Group was recorded sales of approximately HK$17.6 million in the period under review.

Selling and Distribution Expenses

The selling and distribution expenses for the period under review were approximately HK$144.5 million, increased by about 18.3 million when compared to approximately HK$126.2 million year-on-year. In respect of selling and distribution expenses to sales turnover ratio, it was approximately 39% for the current period. Whereas the ratios for the last corresponding period and for the last whole year were around 39% and around 36% respectively. The Group will continue to tighten the outflow in order to mitigate the business risk which caused by high level of selling and distribution expenses.

The production base in Chengdu, Sichuan Province, China

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 international GMP standards. The plant produces principally the Group's flagship products "Osteoform", "Depile Capsule", "Clarithromycin Capsules", "Azithromycin Capsules", "Aceclofenac Tablets" and "Aotianping" ("Miglitol Tablets").

The production base in Wuhan, Hubei Province, China

Major production in the current period included "Vital Fast" – a slow release flu medication, "Opin" – a gynaecology biological drug, processing and packaging of "Uralyt U" granules and certain processing subcontracting works.

The pharmaceutical factory in Hong Kong, China

Last year, the Group established a new pharmaceutical factory in Hong Kong that complies with GMP standards, in order to proactively cope with the changes in the pharmaceutical management policy in the PRC. The construction of the factory was completed and the relevant GMP and pharmaceutical manufacturer licence is obtained in June this year. The factory is undergoing pre-operating preparation, such as staff recruitment, training, and procurement. The trial production is expected to be completed by end of this year.

BUSINESS OUTLOOK

On 30 November 2007, the Company had dispatched a circular relating to acquisition of the entire equity interest of Sichuan Hengtai Pharmaceutical Company Limited. Subject to certain conditions precedent to completion, such as obtained the approval by the shareholders at the extraordinary general meeting, and obtained approval from relevant PRC government authorities, the acquisition will be completed.

The Group will continue to introduce new products to the market by exploring in the diversified health-care market, including those for improving the conditions of anemia patients, addressing particular cartilage problems and supplementing nutrients necessary for women during pregnancy and menopause.

Completion of acquisition and the introduction of a wider array of products, together with its edge and market experience will enable the Group to capitalize on the strength of the foreign players in the pharmaceutical market of the PRC so as to provide a comprehensive product lifecycle management and effective marketing solution, thereby speeding up the product commercialization process. Meanwhile, this strategy does not merely enrich income portfolio, but also diversify risk of relying on single product and creating value for both shareholders, upstream and downstream customers.

The Board as at the date of this announcement comprises five executive directors: Mr. Tao Lung, Mr. Huang Jianming, Mr. Xu Xiaofan, Mr. Shen Songqing, and Mr. Liu James Jin and three independent non-executive directors: Mr. Lui Tin Nang, Mr. Lee Kwong Yiu and Mr. Chong Cha Hwa.

By order of the Board
VITAL BIOTECH HOLDINGS LIMITED
Tao Lung
Chairman

Hong Kong, 14 December 2007