







Corporate Information



DIRECTORS

Executive Directors

Xu Xiaofan (*Chairman*) Chen Zhiyu (*Chief Executive Officer*) Guo Lin Huang Zemin Li Ke Liu James Jin

Independent Non-executive Directors

Lui Tin Nang Lee Kwong Yiu Chong Cha Hwa

COMPANY SECRETARY

Cheung Hin Kiu (ACIS (ICSA), ACS(HKICS), ACCA)

AUDIT COMMITTEE

Lui Tin Nang (Chairman) Lee Kwong Yiu Chong Cha Hwa

REMUNERATION COMMITTEE

Lee Kwong Yiu (Chairman) Lui Tin Nang Chong Cha Hwa Xu Xiaofan Guo Lin

REGISTERED OFFICE

Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

HEAD OFFICE, HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 7, 31st Floor Tower 1, Lippo Centre 89 Queensway Hong Kong

COMPANY WEBSITE

www.vital-pharm.com

AUTHORISED REPRESENTATIVES

Liu James Jin Cheung Hin Kiu

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited The Agriculture Bank of China Bank of China Limited

AUDITORS

SHINEWING (HK) CPA Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited P.O. Box 484 HSBC House 68 West Bay Road Grand Cayman KY1-1106 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited 18th Floor Fook Lee Commercial Centre Town Place 33 Lockhart Road Wanchai Hong Kong



Major Properties

PROPERTIES HELD FOR INVESTMENT

| Location | Type of properties | Lease term |
|--|--------------------|----------------------|
| Office Unit Nos. 15–16 on 1st Floor to 2nd Floor and Office Unit Nos. 1–12 on 4th Floor of an office building known as "科技財富中心", No. 318 Tianfuda Road North Section, within Gaoxin District Technology Incubate Park (高新區科技孵化園內), Chengdu City, Sichuan Province, the PRC | Office premises | Medium-term lease |
| No. 3, Keyuan South Road, High-Tech Industrial Development Zone, Chengdu City, Sichuan Province, the PRC | Office premises | Medium-term lease |

PROPERTIES HELD FOR DEVELOPMENT

| Location | Existing Land use | Site Area (sq.m.) | Effective % held | Stage of completion |
|---|----------------------------|----------------------|---------------------|---------------------|
| Land Parcel No. WJ01 (252/211): 2010-035. | Residential/ Commercial | 49,595.3 | 100% | Planning |
| Wansheng Community, | Commercial | | | |
| Liucheng Street, Wenjiang District, | | | | |
| Chengdu City, | | | | |
| Sichuan Province, the PRC | | | | |

Highlights



| | (Unaudited) Six months ended 30 June 2011 2010 HK\$'000 HK\$'000 | | |
|--|--|--|--|
| Turnover (Loss)/profits attributable to owners of the Company Basic (loss) earnings per share Diluted (loss) earnings per share Interim dividend per share | 189,787 (20,752) HK(1.32) cents HK(1.32) cents Nil | 162,700 34,995 HK2.26 cents HK2.26 cents Nil | |

- Turnover of the Group was around HK\$190 million, an increase of approximately 16.6% year-on-year;
- Loss attributable to owners of the Company was approximately HK\$20.8 million representing a drop by approximately 159% year-on-year;
- Basic loss per share was approximately HK1.32 cents;
- The Board would not recommend the payment of an interim dividend.

Business Review

Results

I hereby announce the unaudited results of Vital Group Holdings Limited ("Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 ("period under review" or "reporting period"). During the period under review, the consolidated turnover of the Group increased by 16.6% year-on-year to approximately HK\$190 million from HK\$163 million. The loss attributable to owners of the Company was amounted to approximately HK\$20.8 million. It represented a decrease of 159% as comparing to the profit amounted to approximately HK\$35 million in the corresponding period.

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.

Furthermore, the Group discovers that since June 2011, there has been a substantial drop in the sales of Osteoform compound calcium amino acid chelate food capsule ("Osteoform Calcium Food"). The food hygiene license (食品衛生許可證) obtained by the Group will expire on 25 November 2011 and the Group considers renewing the food hygiene licence. However, as advised by the Group's PRC legal adviser, Tahota Law Firm, due to the change of relevant rules and regulations relating to food hygiene, there will be a great difficulty in renewing the food hygiene licence for Osteoform Calcium Food.

Considering the substantial drop in the sales of the Osteoform Calcium Food in June and July of 2011, the uncertainties with the renewal of the food hygiene license and the uncertainties with the renewal of the import drug license for Osteoform Compound Calcium Amino Acid Chelate Capsules, the Group considers to temporarily suspend the production of Osteoform Calcium Food (the "Suspension") so as to improve production efficiency of the Group's other products and minimize the adverse impact to the Group.



As a result of the above events, the profits of the Group for the reporting period has been recorded a substantial decrease when compared to the corresponding period in 2010, due to the impairment for goodwill amounted to approximately HK\$25 million and the decrease in sales of Osteoform Calcium Food, in particular, the second quarter.

Furthermore, impairment loss amounted to approximately HK\$37 million has been recognized for the property, plant and equipment of Vital Pharmaceuticals (Sichuan) Co., Ltd., a wholly-owned subsidiary of the Company due to an integration of production line (the "Integration"), which resulted in the idleness of certain plants and equipment. During the reporting period, the profit of the Group has further reduced, as a result of the Integration.

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.



Pharmaceutical and Food Industry

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 for the first half of year 2011 was approximately HK\$118 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 2011 was around HK\$8.8 million.

Madaus products

For the trading of overseas agency products of Madaus GmbH, Germany, which including Legalon (Silymarin) and Uralyt-U (Potassium Sodium Hydrogen Citrate Granules), etc. The Group has recorded sales of approximately HK\$36 million in the first half of 2011, representing a growth of approximately 3% when compare to the corresponding period.

"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 2011 was around HK\$6 million.



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, was introduced.

The Production Base in Wuhan, Hubei Province, the PRC

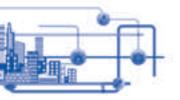
During the period under review, major production included a new drug "Glimepiride orally disintegrating tablets" — medication for diabetes, "Vital Fast" — a slow release flu medication, "Opin" — a gynaecology biological drug and the Group's food product "Osteoform Calcium Food".

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 in 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 has suspended the production and dismiss the staff of the product line in the 1st quarter. On 25 July 2011, Vital Pharmaceuticals (Sichuan) Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Sichuan Hebon Enterprise Company Ltd (四川禾邦實業集團有限公司), pursuant to which Vital Pharmaceuticals (Sichuan) agreed to dispose of and Sichuan Hebon agreed to acquire the entire interest of Weiao (Chengdu) Pharmaceutical Company Limited (維奥(成都)製藥有限公司) at a consideration of RMB1.5 million.

Sichuan Hengtai Pharmaceutical Company Limited

Sichuan Hengtai is the major sales arm of the Group. During the period under review, major sales products included: "Osteoform Calcium Food", Madaus products, "Osteoform Vitamins with minerals dispersible tablet", "Taurolite®" and "Vital Fast" etc.



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. Given the government's austerity measures to curb the real estate market, the property market in the PRC will remain uncertain. In order to lower the risk, on 29 July 2011, Chengdu Vital Property Co., Ltd. (成都維奧置業有限公司) has entered into the Agreement with Sichuan Longhe Properties Limited (四川隆禾置業有限公司) and Chengdu Wenjiang Vital Property Development Company Limited (成都溫江維奧房地產開發有限公司), pursuant to which Chengdu Vital Property Co., Ltd. has agreed to dispose of and Sichuan Longhe Properties Limited has agreed to acquire the Sale Interest and the Sale Loan of Chengdu Wenjiang Vital Property Development Company Limited at an aggregate consideration of RMB230,609,000 (equivalent to approximately HK\$276,730,800). The Agreement was subject to approval at the extraordinary general meeting to be held before 30 September 2011.

The Directors believe that the Disposal represents a good opportunity for the Company to realize the potential value of the Land, thus enabling the Company to obtain profit from the property investment to increase its general working capital and to seek for better investment opportunities.

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\$2.3 million rental income to the Group.

Business Outlook



With regard to the Suspension, the Board intends to conduct a full-scale analysis on the existing business of Osteoform Calcium Food to decide whether to continue or discontinue the production lines and/or re-formulate its current business plans and strategies, including but not limited to, accelerating the sales of the inventory of Osteoform Calcium Food for seeking the best solution for the interest of the Company and shareholders of the Company. The Board is of the view that the Group will continue to diversify product and business development based on the Group's relevant experiences and expertise, expand and optimize product range and enhance sales & marketing activities in order to promote sales and mitigate the negative effect on the profits of the Group as a result of the Suspension.

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.

Financial Review

Capital structure

As at 30 June 2011, the Company had in issue 1,630,586,993 ordinary shares (31 December 2010: 1,551,056,993 shares). During the first half of year 2011, 79,530,000 new shares were issued as a result of exercising share options (Year 2010: nil).

The market capitalization of the Company as at 30 June 2011 was approximately HK\$2,283 million (31 December 2010: approximately HK\$357 million).

Liquidity and financial resources

As at 30 June 2011, the Group has approximately HK\$74 million bank borrowing (31 December 2010: HK\$71 million). Bank balances and cash amounted to approximately HK\$84 million (31 December 2010: approximately HK\$80 million), including pledged bank deposits of approximately HK\$0.6 million (31 December 2010: approximately HK\$12 million).

As at 30 June 2011, the Group has obtained banking facilities of approximately HK\$293 million (31 December 2010: HK\$259 million) from banks in China. Unutilised banking facilities amounted to approximately HK\$220 million (31 December 2010: HK\$187 million). The average cost of financing during the 6 months ended 30 June 2011 was 6% (Year 2010 average: 6% per annum). The Group has maintained sufficient financial resources for business operation purpose. The Group has no seasonality of borrowing requirement.

The Group adopts a conservative funding and treasury policies and objectives. As at 30 June 2011, bank borrowings amounting to HK\$20 million are denominated in Hong Kong dollars and amounting to HK\$54 million are denominated in RMB and will be fully repayable by 31 December 2011, with 48% at fixed rates of interest at approximately 5.6% per annum, and the rest are at floating rates of interest ranging from Hong Kong Interbank Offered Rate plus 5% per annum to the benchmark interest rate of China Central Bank for loan by adding a markup of 10%.

In relation to cash and bank balances amounting to approximately HK\$84 million (31 December 2010: HK\$80 million), approximately 75% (2010: 78%) of which was denominated in RMB, approximately 14% (2010: 9%) was denominated in Hong Kong dollar and approximately 11% (2010: 11%) was denominated in other currencies, as at 30 June 2011.



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 30% in RMB (2010: 32%), approximately 37% in USD (2010: 42%) and approximately 33% in EURO (2010: 26%). Operating expenditures including selling and distribution expenses and administrative expenses were denominated as to approximately 73% in RMB (2010: 76%), others are in HKD, AUD, USD and Macau Pataca, etc. For the six months ended 30 June 2011, 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 2011, the Group had no material contingent liabilities (2010: Nil).

Key financial figures and ratios

Profit and loss item:

Gross profit margin: Due to the increase of raw material cost, packaging material cost and staff cost in the PRC, as well as the impairment recognized on certain inventories of the subsidiaries, the average gross profit margin of the first half of year 2011 was decreased by 7%, to around 62%, when compared with around 69% for the corresponding period.

Selling and Distribution Expenses: The Group had identified that high selling and distribution expense is a business risk, and aimed at tightening the outflow, and has achieved 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 21%, whereas the ratios for the corresponding period and for the last whole year were around 24% and around 25% respectively.



Key financial figures and ratios (Continued)

Profit and loss item: (Continued)

Administrative expenses: The Group focused on tightening its budget control and expenses to cut down administrative costs. The total administrative expenses amounted to approximately HK\$37 million, representing a decrease of 18% as comparing to approximately HK\$45 million in the first half of 2010.

Finance costs: Although the Group had bank borrowings in the year 2011, interest expenses amounted to HK\$2 million have been capitalized into property under development. Therefore, the finance costs under the consolidated income statement for the first half of 2011 were approximately HK\$0.18 million while it amounted to HK\$0.25 million for the corresponding period.

| Income Statement item: | Six months e | nded 30 June 2010 |
|--|--------------|-----------------------------|
| Turnover (HK\$'million) | 190 | 163 |
| Gross profit margin | 62% | 69% |
| Selling and distribution expenses (HK\$'million) | 40 | 38 |
| Gross profit margin after selling and | | |
| distribution expense | 41% | 45% |
| (Loss)/profits attributable to owners of | | |
| the Company/Turnover | (11%) | 22% |
| EBITDA (HK\$'million) | 1.4 | 47 |
| EBITDA/Turnover | 0.7% | 29% |

Statement of financial position item:

Gearing ratio: The debt equity ratio (total bank borrowings/equity attributable to equity holders of the Company, net of intangible assets and goodwill) was 11%, which was consistent with the debt equity ratio in year 2010.



Key financial figures and ratios (Continued)

Statement of financial position item: (Continued)

During the reporting period, the Group had increased the demand of a cash on delivery policy to the distributors, the average trade receivable turnover days therefore had dropped to around 43 days. For the average inventory turnover days (exclude goods in transit), because of that sales have been slowed down during the period, therefore inventory turnover days had climbed up to around 307 days.

| Statement of financial position item: | As at 30 June 2011 HK\$'million | As at 31 December 2010 HK\$'million |
|---------------------------------------|--|--|
| Short-term bank loans | 74 | 71 |
| Long-term bank loans | _ | _ |
| Bank balances and cash | 84 | 80 |
| Net tangible assets | 698 | 652 |
| Gearing ratio | 11% | 11% |
| Average trade receivable turnover day | 43 days | 53 days |
| Average inventory turnover day | 307 days | 263 days |

As of 30 June 2011, the Group had approximately HK\$0.6 million bank balances and cash, approximately HK\$39 million property, plant and equipment, approximately HK\$16 million prepaid lease payments on land use rights and approximately HK\$81 million investment properties were pledged as collateral to banks.

For the 6 months ended 30 June 2011, return on equity (annualized) was on average of approximately –6%.



Employee Information

As at 30 June 2011, the Group had 649 employees (30 June 2010: 1,007), comprising 17 in research and development, 206 in production, 263 in sales, and 163 in general administration and finance. 627 of these employees were located in Mainland China, and 22 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\$32 million (First half of 2010: HK\$31 million).

Disclosure of Interests



Disclosure of Interests

(a) The Directors' and chief executives' interests and short position in the shares, underlying shares and debentures of the Company or any associated corporation. As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

| Name of Director | Capacity | Number of ordinary shares of HK\$0.01 each ("Share") (Note 1) | Percentage Shareholding in the same class of securities |
|---|------------------|---|--|
| Mr. Chen Zhiyu (Executive Director and Chief executive officer) | Beneficial owner | 26,666(L) | 0.0016% |
| Mr. Xu Xiaofan (Executive Director and Chairman) | Beneficial owner | 15,000,000(L) | 0.9199% |
| Mr. Liu James Jin (Executive Director) (Note 2) | Beneficial owner | 15,630,400(L) | 0.9586% |
| Ms. Guo Lin (Executive Director) | Beneficial owner | 11,500,000(L) | 0.705% |
| Mr. Chong Cha Hwa (Independent non-executive director) | Beneficial owner | 1,500,000(L) | 0.091% |

Notes:

- 1. The letter "L" stands for the Director's long position in the Shares.
- Mr. Liu James Jin is deemed to be interested in 1,000,000 Shares held by his spouse by virtue of Part XV of the SFO.



Disclosure of Interests (Continued)

Disclosure of Interests (Continued)

(a) The Directors' and chief executives' interests and short position in the shares, underlying shares and debentures of the Company or any associated corporation (Continued)

Directors' and Chief Executive's interests in underlying Shares and equity derivatives As at 30 June 2011, the directors and chief executive of the Company had the following personal interests in options to subscribe for Shares of the Company granted under the share option scheme of the Company:

| Name of Director | Date of grant | Exercisable period | Exercise price Per Share (HK\$) | No. of Shares involved in the options outstanding at 30 June 2011 |
|--|-----------------|--|---------------------------------------|---|
| Mr Liu James Jin (Executive Director) | 29 January 2008 | 1 October 2008 to 6 February 2012 (Note 3) | 0.28 | 8,500,000 |

Note:

3. Mr. Liu James Jin can exercise his rights in two periods starting from 1 October 2008 to 6 February 2012. From 1 October 2008 to 31 December 2008, grantees can exercise up to 30% of their rights, and starting from 1 January 2009 to 6 February 2012, grantees can exercise any unexercised remaining rights.

Save as disclosed above, none of the Directors and the chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Disclosure of Interests (Continued)



Disclosure of Interests (Continued)

(b) Substantial Shareholders' interest and short positions in the shares, underlying shares of the Company

As at 30 June 2011, according to the register of members kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

| Name | Company/Name of Group member | Capacity | Number of shares (Note 4) | Approximate percentage of shareholding |
|---|---------------------------------|------------------|--|--|
| Perfect Develop Holding Inc. (Note 5) | Corporate | Beneficial owner | 522,526,940 (L) 450,000,000 (S) (Note 6) | 32.05 % 27.60% |
| CGNPC Uranium Resources Co. Ltd. | Corporate | Beneficial owner | 4,728,695,652 (L) | 290% |
| China Guangdong Nuclear Power Holding Corporation, Ltd. | Corporate | Beneficial owner | 4,728,695,652 (L) | 290% |

Notes:

- 4. The letter "L" denotes the person's/entity's long position in the shares. The letter "S" denotes the person's/entity's short position in the shares.
- 5. The issued share capital of Perfect Develop Holding Inc. is beneficially owned as to 58.28% by Mr. Tao Lung, 30.67% by Mr. Huang Jianming and 11.05% by Mr. Liu James Jin. Mr. Tao Lung and Mr. Huang Jianming are founders of the Group, former executive directors of the Company, and currently paid consultants of the Company. Mr. Liu James Jin is founder of the Group and executive director of the Company.
- Pursuant to the share charge dated 1 April 2011, Perfect Develop Holding Inc. charged 450,000,000
 Shares in favour of China Uranium Development Company Limited.



Disclosure of Interests (Continued)

Disclosure of Interests (Continued)

(b) Substantial Shareholders' interest and short positions in the shares, underlying shares of the Company (Continued)

Save as disclosed above, the Directors are not aware of any person as at 30 June 2011 who had an interest or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meetings of the Company.

Directors' and Chief Executives' Right to Subscribe for Shares

Save as disclosed in the interim report, none of the Company's directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares, warrants or debentures (if applicable) of the Company and its associated corporations (within the meaning of the SFO) during the six months ended 30 June 2011.

Other Information



Share Option Scheme

A share option scheme was adopted on 26 January 2002 ("2002 Share Option Scheme"). The 2002 Share Option Scheme was replaced by a new share option scheme adopted by the shareholders on 23 July 2003 ("2003 Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting held on 2 June 2010, another new share option scheme ("2010 Share Option Scheme") was adopted and the 2003 Share Option Scheme was terminated. Any share options granted pursuant to the 2003 Share Option Scheme prior to the termination will remain exercisable before the expiration date.

The board of directors of the Company may, at their discretion, grant option to the eligible participant including any employees, any non-executive directors, directors, suppliers, customers, advisors, consultants, joint venture partners and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its share option scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the Scheme unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholder in a general meeting of the Company. Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 30 June 2011, the number of shares of the Company in respect of which options had remained outstanding under the 2003 Share Option Scheme of the Company was 32,860,000 (2010: 114,390,000) representing 2.02 % (2010: 7.37%) of the shares of the Company in issue at that date.



Share Option Scheme (Continued)

The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options of the Company is HK\$1.00. The exercise period of the share options granted is determined by the board of directors.

No options were granted during the six months ended 30 June 2011 and 2010.

The exercise price of the share options is determined by the board of directors providing that the exercise price of the share options shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The 2010 Share Option Scheme will remain in force for a period of ten years commencing on 2 June 2010.

First phase:

On 21 June 2002, options were granted to subscribe for an aggregate of 30,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2002 Share Option Scheme at HK\$0.39 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.37 per share. Those who were granted with the options can exercise their rights in multiple periods starting from 16 August 2002 to 6 February 2012 as follows:

From 16 August 2002 to 6 February 2012 — approximately 6,850,000 shares From 1 January 2003 to 6 February 2012 — approximately 8,280,000 shares From 1 January 2004 to 6 February 2012 — approximately 6,510,000 shares From 1 January 2005 to 6 February 2012 — approximately 8,360,000 shares

Second phase:

On 28 February 2003, options were granted to subscribe for an aggregate of 19,800,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2002 Share Option Scheme at HK\$0.24 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.21 per share. Those who were granted with the options can exercise their rights from 1 March 2003 to any time before expiry date on 6 February 2012.



Share Option Scheme (Continued)

Third phase:

On 29 September 2003, options were granted to subscribe for an aggregate of 30,000,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2003 Share Option Scheme at HK\$0.51 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.50 per share. Those who were granted with the options can exercise their rights in two periods starting from 2 January 2004 to 6 February 2012 as follows:

From 2 January 2004 to 6 February 2012 — approximately 8,990,000 shares From 2 July 2004 to 6 February 2012 — approximately 21,010,000 shares

Forth phase:

On 12 September 2005, options were granted to subscribe for an aggregate of 69,800,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2003 Share Option Scheme at HK\$0.23 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.23 per share. Those who were granted with the options can exercise their rights in two periods starting from 1 January 2006 to 6 February 2012 as follows:

From 1 January 2006 to 6 February 2012 — approximately 34,900,000 shares From 1 January 2007 to 6 February 2012 — approximately 34,900,000 shares

Fifth phase:

On 29 January 2008, options were granted to subscribe for an aggregate of 67,500,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the 2003 Share Option Scheme at HK\$0.28 per share. The closing price of the Company on the day immediately preceding the offer of grant was HK\$0.28 per share. Those who were granted the options can exercise their rights in two periods starting from 1 October 2008 to 6 February 2012 as below:

From 1 October 2008 to 6 February 2012 — approximately 20,250,000 shares From 1 January 2009 to 6 February 2012 — approximately 47,250,000 shares

Share Option Scheme (Continued)

Movements of the share options during year/period are set out below:

| | Date of grant | Outstanding at 1 January 2010 | Lapsed during the year 2010 | Outstanding at 31 December 2010 | Exercised during the period | Outstanding at 30 June 2011 | Exercise price per share HK\$ |
|---------------------------------|-------------------|----------------------------------|--------------------------------|---------------------------------------|-----------------------------------|--------------------------------|-------------------------------------|
| Directors: | | | | | | | |
| Mr. Xu Xiaofan | 12 September 2005 | 15,000,000 | _ | 15,000,000 | 15,000,000 | _ | 0.23 |
| Mr. Liu James Jin | 29 January 2008 | 8,500,000 | _ | 8,500,000 | _ | 8,500,000 | 0.28 |
| Ms. Guo Lin | 29 September 2003 | 3,000,000 | _ | 3,000,000 | 3,000,000 | _ | 0.51 |
| | 29 January 2008 | 8,500,000 | _ | 8,500,000 | 8,500,000 | _ | 0.28 |
| Independent non-executive | directors: | | | | | | |
| Mr. Chong Cha Hwa | 29 January 2008 | 1,500,000 | _ | 1,500,000 | 1,500,000 | - | 0.28 |
| Ex-directors: | | | | | | | |
| Mr. Tao Lung ¹ | 12 September 2005 | 15,000,000 | _ | 15,000,000 | _ | 15,000,000 | 0.23 |
| Mr. Huang Jianming ¹ | 29 January 2008 | 8,500,000 | _ | 8,500,000 | _ | 8,500,000 | 0.28 |
| Mr. Shen Songqing ¹ | 29 January 2008 | 8,500,000 | _ | 8,500,000 | 8,500,000 | _ | 0.28 |
| Employees | 21 June 2002 | 330,000 | _ | 330,000 | 230,000 | 100,000 | 0.39 |
| | 29 September 2003 | 10,260,000 | _ | 10,260,000 | 9,500,000 | 760,000 | 0.51 |
| | 12 September 2005 | 2,800,000 | _ | 2,800,000 | 2,800,000 | _ | 0.23 |
| | 29 January 2008 | 21,000,000 | 2,000,000 | 19,000,000 | 19,000,000 | _ | 0.28 |
| Other eligible participants | 29 September 2003 | 500,000 | _ | 500,000 | 500,000 | _ | 0.51 |
| | 29 January 2008 | 11,000,000 | _ | 11,000,000 | 11,000,000 | | 0.28 |
| | | 114,390,000 | 2,000,000 | 112,390,000 | 79,530,000 | 32,860,000 | _ |
| Exercisable at the end of | | | | | | | |
| the year, 31 December 20 | 010 | | | 112,390,000 | | | |
| Exercisable at the end of | | | | | | | |
| the period, 30 June 2011 | | | | | | 32,860,000 | |

The directors have resigned with effect from 11 November 2009. The share options held by the resigned directors remained effective and exercisable until 6 February 2012.



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.

Major Transaction

Allot and issue Subscription Shares

On 18 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 Land disposal

On 29 July 2011, Chengdu Vital Property Co., Ltd. (成都維奧置業有限公司) has entered into the Agreement with Sichuan Longhe Properties Limited (四川隆禾置業有限公司) and Chengdu Wenjiang Vital Property Development Company Limited (成都溫江維奧房地產開發有限公司), pursuant to which Chengdu Vital Property Co., Ltd. has agreed to dispose of and Sichuan Longhe Properties Limited has agreed to acquire the Sale Interest and the Sale Loan of Chengdu Wenjiang Vital Property Development Company Limited at an aggregate consideration of RMB230,609,000 (equivalent to approximately HK\$276,730,800). The Agreement was subject to approval at the extraordinary general meeting to be held before 30 September 2011.

Dividend

The Board would not recommend the payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

Review of Interim Results

The unaudited interim financial report of the Group for the six months ended 30 June 2011 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 2011 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. Save as the following events, all directors have confirmed, following specific enquiry by the Company that they have compiled with the required standard set out in the Model Code during the Period.



Reference is made to the Company's announcement dated 31 March 2011 (the "Joint Announcement"). The offer period the Company starts on 31 March 2011, the date of the Joint announcement, and ends on 8 June 2011, the date of EGM approving the Subscription Agreement (as defined in the Joint Announcement) and the transactions contemplated thereunder and the Whitewash Waiver (as defined in the Joint Announcement).

Ms. Zeng Qingling's late submission of disclosure form

Ms. Zeng Qingling is the wife of Mr. James Liu Jin, an executive director of the Company. Under class (3) of the definition of "associate" of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**"), Ms. Zeng Qingling is an associate of the Company.

On 1 April 2011 and 4 April 2011, Ms. Zeng Qingling bought a total of 1,000,000 shares of the Company. As required by Rule 22 of the Takeover Code (Disclosure of dealings during offer period), Ms. Zeng Qingling is required to disclose any dealing during the offer period from 31 March 2011 to 8 June 2011. Disclosure must be made no later than 10:00 a.m. on the business day following the date of the dealing.

Ms. Zeng Qingling submitted the disclosure of dealing form on 11 April 2011.

Ms. Tao Bei Di's late submission of disclosure form

Ms. Tao Bei Di is the daughter of Mr. Tao Lung, who is one of the shareholders of Perfect Develop Holding Inc. Under class (3) of the definition of "associate" of the Takeover Code, Ms. Tao Bei Di is an associate of the Company.

On 6 April 2011, Ms. Tao Bei Di bought 250,000 shares of the Company. As required by Rule 22 of the Takeover Code (Disclosure of dealings during offer period), Ms. Tao Bei Di is required to disclose any dealing during the offer period from 31 March 2011 to 8 June 2011. Disclosure must be made no later than 10:00 a.m. on the business day following the date of the dealing.

Ms. Tao Bei Di submitted the disclosure of dealing form on 12 April 2011.

Save as disclosed above, the Directors have complied with the Model Code.



Corporate Governance

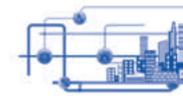
The Company is in compliance with all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2011.

As at the date of this report, 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.

On behalf of the Board **XU Xiaofan**Chairman

Hong Kong, 17 August 2011

Report on Review of Interim Financial Information





SHINEWING (HK) CPA Limited 43/F., The Lee Gardens 33 Hysan Avenue Causeway Bay, Hong Kong

To the Board of Directors of Vital Group Holdings Limited 維奧集團控股有限公司

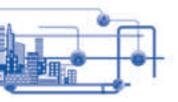
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 56, which comprises the condensed consolidated statement of financial position of Vital Group Holdings Limited (the "Company") and its subsidiaries as of 30 June 2011, and the condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes.

The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Report on Review of Interim Financial Information (Continued)

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Ip Yu Chak

Practising Certificate Number: P04789

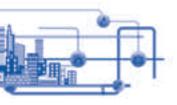
Hong Kong 17 August 2011

Condensed Consolidated Income Statement





| | Notes | Six months ended 30 June 2011 20 HK\$'000 HK\$'C (Unaudited) (Unaudited) | | |
|--|--------|--|---|--|
| Turnover Cost of sales | 4 | 189,787 (71,747) | 162,700 (51,104) | |
| Gross profit Other operating income Selling and distribution expenses Administrative expenses Impairment loss recognised in respect of goodwill Impairment loss recognised in respect of property, plant and equipment | | 118,040 17,547 (39,612) (37,175) (25,142) (39,759) | 111,596 10,809 (38,253) (45,492) | |
| Finance costs | 5 | (180) | (249) | |
| (Loss) profit before taxation | | (6,281) | 38,411 | |
| (Loss) profit for the period | 6 8 | (13,010) (19,291) | (1,815) | |
| (Loss) profit for the period attributable to: Owners of the Company Non-controlling interests | | (20,752) 1,461 (19,291) | 34,995 1,601 36,596 | |
| (Loss) earnings per share Basic and diluted | 10 | HK(1.32) cents | HK2.26 cents | |



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

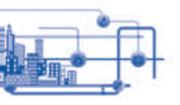
| | Six months ended 30 June | | |
|--|---------------------------------|---------------------------------|--|
| | 2011 HK\$'000 (Unaudited) | 2010 HK\$'000 (Unaudited) | |
| (Loss) profit for the period | (19,291) | 36,596 | |
| Other comprehensive income Exchange differences arising during the period Reclassification adjustments relating to foreign operations disposed of/deregistered | 15,297 | _ | |
| during the period | (1,627) | (1,459) | |
| | 13,670 | (1,459) | |
| Available-for-sale investments Net gain arising on revaluation of available- for-sale investments during the period Reclassification adjustments relating to available-for-sale investments disposed of | _ | 333 | |
| during the period | _ | (683) | |
| | _ | (350) | |
| 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 | 13,670 | 2,483 | |
| Total comprehensive (expense) income for the period, net of tax | (5,621) | 39,079 | |
| Total comprehensive (expense) income | | | |
| for the period attributable to: Owners of the Company Non-controlling interests | (7,183) 1,562 | 37,478 1,601 | |
| | (5,621) | 39,079 | |

Condensed Consolidated Statement of Financial Position



As at 30 June 2011

| | Notes | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|--------------------------------------|-------|--|--|
| Non-current assets | | | |
| Intangible assets | 11 | 343 | 3,028 |
| Property, plant and equipment | 11 | 121,420 | 174,139 |
| Investment properties | 11 | 98,641 | 95,409 |
| Prepaid lease payments on | 11 | 33,311 | 30, 103 |
| land use rights | 11 | 33,729 | 32,922 |
| Deposit for acquisition of property, | | | , |
| plant and equipment | | 4,200 | 4,063 |
| Goodwill | 12 | 27,213 | 52,355 |
| | | | |
| | | 285,546 | 361,916 |
| Current assets | | | |
| Properties under development | | 259,556 | 240,561 |
| Inventories | | 150,204 | 108,968 |
| Trade and other receivables | 13 | 90,302 | 69,195 |
| Prepaid lease payments on | | | , |
| land use rights | 11 | 686 | 672 |
| Income tax recoverable | | 12,091 | 8,091 |
| Value added tax recoverable | | 4,119 | _ |
| Held-for-trading investment | | 2,111 | 2,173 |
| Bank balances and cash | | | |
| — pledged | | 644 | 12,138 |
| — unpledged | | 83,162 | 68,146 |
| | | | |
| | | 602,875 | 509,944 |



Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2011

| | Notes | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|---|-------|--|--|
| Current liabilities Trade and other payables Value added tax payable Income tax payable Secured bank borrowings | 14 | 59,379 — 14,256 73,699 | 67,148 3,591 7,746 71,285 |
| | | 147,334 | 149,770 |
| Net current assets | | 455,541 | 360,174 |
| | | 741,087 | 722,090 |
| Capital and reserves Share capital Reserves | 15 | 16,306 704,505 | 15,511 688,090 |
| Equity attributable to owners of the Company Non-controlling interests | | 720,811 4,976 | 703,601 3,414 |
| | | 725,787 | 707,015 |
| Non-current liabilities Other payables Deferred tax liabilities | | 951 14,349 | 920 14,155 |
| | | 15,300 | 15,075 |
| | | 741,087 | 722,090 |

Condensed Consolidated Statement of Changes in Equity

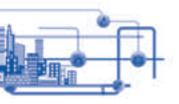


For the six months ended 30 June 2011

| | Equity attributable to owners of the Company | | | | | | | | | | |
|---|--|------------------------------|--|---|---------------------------------------|---|----------------------------------|--|-------------------|--|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange translation reserve HK\$'000 | Share options reserve HK\$'000 | Reserve fund HK\$'000 (Note) | Enterprise development fund HK\$'000 | Retained earnings HK\$'000 | Properties revaluation reserve HK\$'000 | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
| At 1 January 2011 (audited) | 15,511 | 251,175 | 68,501 | 9,891 | 54,373 | 616 | 294,523 | 9,011 | 703,601 | 3,414 | 707,015 |
| Exercise of share options | 795 | 31,577 | | (7,979) | | | | | 24,393 | | 24,393 |
| Total comprehensive (expense) income for the period | | | 13,569 | | | | (20,752) | | (7,183) | 1,562 | (5,621) |
| At 30 June 2011 (unaudited) | 16,306 | 282,752 | 82,070 | 1,912 | 54,373 | 616 | 273,771 | 9,011 | 720,811 | 4,976 | 725,787 |

| _ | Equity attributable to owners of the Company | | | | | | | | | | | |
|---|--|------------------------------|--|--------------------------------|---------------------------------------|---|------------------------------|----------------------------------|--|-------------------|--|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange translation reserve HK\$'000 | Share options reserve HK\$'000 | Reserve fund HK\$'000 (Note) | Enterprise development fund HK\$'000 | Other reserve HK\$'000 | Retained earnings HK\$'000 | Properties revaluation reserve HK\$'000 | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
| At 1 January 2010 (audited) | 15,511 | 251,175 | 54,834 | 9,891 | 47,883 | 616 | 350 | 264,403 | 4,719 | 649,382 | 808 | 650,190 |
| Total comprehensive (expense) income for the period | _ | _ | (1,459) | _ | _ | _ | (350) | 34,995 | 4,292 | 37,478 | 1,601 | 39,079 |
| Appropriation to reserve fund | _ | _ | _ | _ | 1,212 | _ | _ | (1,212) | _ | _ | _ | _ |
| At 30 June 2010 (unaudited) | 15,511 | 251,175 | 53,375 | 9,891 | 49,095 | 616 | _ | 298,186 | 9,011 | 686,860 | 2,409 | 689,269 |

Note: Subsidiaries in the People's Republic of China have appropriated 10% of the profit to reserve fund. The reserve fund is required to be retained in the accounts of the subsidiaries for specific purposes.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

| | Six months ended 30 June | | | | |
|---|---------------------------------|---------------------------------|--|--|--|
| | 2011 HK\$'000 (Unaudited) | 2010 HK\$'000 (Unaudited) | | | |
| Net cash (used in) from operating activities | (40,099) | 28,936 | | | |
| Net cash from (used in) investing activities | | | | | |
| Increase in deposit paid for acquisition of land use rights | _ | (61,668) | | | |
| Net cash outflow from disposal of subsidiaries | (2) | _ | | | |
| Proceed from disposal of property, plant and equipment | 21,247 | 123 | | | |
| Decrease (increase) in pledged bank balances | 11,494 | (3,363) | | | |
| Other investing cash flows | (1,796) | 1,450 | | | |
| | 30,943 | (63,458) | | | |
| Net cash from (used in) financing activities | | | | | |
| Proceeds from share issued under | | | | | |
| share options scheme Other financing cash flows | 24,393 (2,340) | — (695) | | | |
| Other interioring easier nows | (2,010) | (030) | | | |
| | 22,053 | (695) | | | |
| Net increase (decrease) in cash and | | | | | |
| cash equivalents | 12,897 | (35,217) | | | |
| Cash and cash equivalents at 1 January | 68,146 | 163,291 | | | |
| Effect of foreign exchange rate change | 2,119 | | | | |
| Cash and cash equivalents at 30 June | 83,162 | 128,074 | | | |



For the six months ended 30 June 2011

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.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.



For the six months ended 30 June 2011

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments) Improvements to HKFRSs 2010

HKFRS 1 (Amendment) Limited Exemption from Comparative HKFRS 7

Disclosures for First-time Adopters

HKAS 24 (Revised) Related Party Disclosures
HKAS 32 (Amendment) Classification of Rights Issues

HK(IFRIC)-Interpretations Prepayments of a Minimum Funding Requirement

("Int") 14 (Amendment)

HK(IFRIC)-Int 19 Extinguishing Financial Liabilities with Equity

Instruments

The application of the above new and revised HKFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10 Consolidated Financial Statements²

HKFRS 11 Joint Arrangement²

HKFRS 12 Disclosures of Interests in Other Entities²

HKFRS 13 Fair Value Measurement²

HKAS 1 (Revised) Presentation of Financial Statements¹

HKAS 19 (as revised in 2011) Employee Benefits²

HKAS 27 (as revised in 2011) Separate Financial Statements²

HKAS 28 (as revised in 2011) Investments in Associate and Joint Ventures²

Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.



For the six months ended 30 June 2011

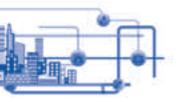
3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The amendments to HKAS 1 have been issued to improve the presentation of other comprehensive income. The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future by presenting them separately from those that would never be reclassified to profit or loss. The application of the amendment to HKAS 1 might result in changes in presentation of the Group's consolidated statement of comprehensive income.

Other than disclosed above, the directors of the Company anticipate that the application of the new or revised standards will have no material impact on the results and the financial position of the Group.



For the six months ended 30 June 2011

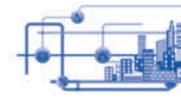
4. TURNOVER AND SEGMENT INFORMATION

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.

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2011

| | Pharmaceutical and food HK\$'000 (Unaudited) | Property investment HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) |
|---|---|---|----------------------------------|
| Turnover | 187,448 | 2,339 | 189,787 |
| Segment loss | (1,694) | (642) | (2,336) |
| Other income and gains Central administrative costs Finance costs | | | 7,676 (11,441) (180) |
| Loss before taxation | | | (6,281) |



For the six months ended 30 June 2011

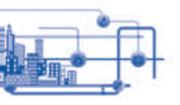
4. TURNOVER AND SEGMENT INFORMATION (Continued)

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 Central administrative costs Finance costs | | | 10,733 (16,241) (249) |
| Profit before taxation | | | 38,411 |

The following is an analysis of the Group's assets by reportable and operating segments:

| | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|--|--|--|
| Pharmaceutical and food Property investment | 360,796 369,617 | 435,762 345,394 |
| Unallocated corporate assets | 730,413 158,008 | 781,156 90,704 |
| Total assets | 888,421 | 871,860 |



For the six months ended 30 June 2011

5. FINANCE COSTS

| | Six months e 2011 HK\$'000 (Unaudited) | nded 30 June 2010 HK\$'000 (Unaudited) |
|---|---|---|
| Interest expenses on: — Bank borrowings and overdrafts wholly | | |
| repayable within five years | 2,166 | _ |
| — Obligations under finance leases— Discounted bills of exchange without | _ | 6 |
| recourse | 174 | 243 |
| Total borrowing costs Less: Amounts capitalised into properties | 2,340 | 249 |
| under development | (2,160) | |
| | 180 | 249 |

Borrowing costs capitalised during the six months ended 30 June 2011 arose on the general borrowing pool are calculated by applying a capitalisation rate of 5.86% (six months ended 30 June 2010: nil) per annum to expenditure on properties under development.



For the six months ended 30 June 2011

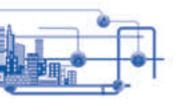
6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| | | |
| People's Republic of China (the "PRC") | | |
| Enterprise Income Tax | | |
| current period | 13,010 | 2,758 |
| over provision in prior year | _ | (943) |
| | | |
| | 13,010 | 1,815 |

Hong Kong Profits Tax has not been provided for in the condensed consolidated financial statements 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 2000/01 to 2002/03 are under inquiries by the Hong Kong Inland Revenue Department (the "IRD"). The Group lodged objections against the assessments and the IRD 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 2011 and 31 December 2010.

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.



For the six months ended 30 June 2011

6. INCOME TAX EXPENSE (Continued)

During the six months ended 30 June 2011, the IRD further issued protective profits tax assessments of approximately HK\$8,750,000 to that subsidiary of the Company relating to the year of assessment 2004/05, that is, for the financial year ended 31 December 2004. The Group again lodged objections with the IRD against the protective assessments and purchased a tax reserve certificate of approximately HK\$4,000,000 during the six months ended 30 June 2011 as demanded by the IRD. The amount was recorded as income tax recoverable as at 30 June 2011.

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. The amount was recorded as income tax recoverable as at 30 June 2011 and 31 December 2010.

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.



For the six months ended 30 June 2011

6. INCOME TAX EXPENSE (Continued)

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.

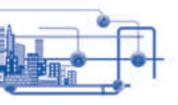
For the six months ended 30 June 2010, certain PRC subsidiaries obtained approval from the relevant tax bureau and were qualified as a High and New Technology Enterprise which were subject to a tax rate of 15%.

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 subsidiary operating in Australia had no estimated assessable profits for the current and previous periods.



For the six months ended 30 June 2011

7. DISPOSAL OF SUBSIDIARIES

On 15 April 2011, the Group entered into sale agreements to dispose of its 100% equity interest in a total of nine inactive subsidiaries, to independent third parties for total consideration of approximately HK\$206. Those disposed subsidiaries include Vital Biotech (Hong Kong) Limited, Medhealth International Limited, Ever Power Holdings Limited, Gainful Plan Limited, Beshabar Trading Limited (BVI), Maxsun International Limited, Farthinghoe Enterprise Limited, AMT Labs (Australia) Pty Limited and Vitapharm Research Pty Limited.

The net assets of those disposed subsidiaries at their respective dates of disposal were as follows:

| | HK\$'000 |
|--|----------|
| Not speak dispended of | 2 |
| Net assets disposed of | 2 |
| Reclassification of cumulative translation reserve upon disposal | (1.607) |
| of subsidiaries to profit or loss | (1,627) |
| | |
| | (1,625) |
| Gain on disposal of subsidiaries | 1,625 |
| | |
| Total cash consideration | _ |
| | |
| Net cash outflow arising on disposal | |
| Cash consideration received | _ |
| Bank balances and cash disposed of | (2) |
| | |
| | (2) |

The subsidiaries disposed of had no significant impact on the results and cash flows of the Group for the six months ended 30 June 2011 and 2010.

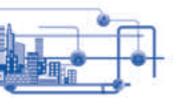


For the six months ended 30 June 2011

8. (LOSS) PROFIT FOR THE PERIOD

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2011 HK\$'000 (Unaudited) | 2010 HK\$'000 (Unaudited) |
| Amortisation of intangible assets | 295 | 844 |
| Amortisation of prepaid lease payments on land use rights | 336 | 399 |
| Depreciation of property, plant and | | |
| equipment Impairment loss recognised in respect of | 6,887 | 7,461 |
| trade receivables | _ | 3,902 |
| Impairment loss recognised in respect of intangible assets (included in administrative expenses) | 2,493 | _ |
| Write-down of inventories (included in cost | | |
| of sales) Written off of other receivables | 4,976 — | — 467 |
| Written off of payments for pharmaceutical projects | _ | 368 |
| Decrease in fair value of held-for-trading investment | 151 | 573 |
| Loss on disposal of available-for-sale investments | _ | 9 |
| (Gain) loss on disposal of property, plant and equipment | (9,050) | 6,959 |
| Reversal of provision for compensation of | (3,330) | · |
| staff redundant Research and development costs | 809 | (1,556) 235 |
| Bank interest income | (319) | (1,260) |
| Dividend income from held-for-trading investment | _ | (332) |
| Exchange (gain) loss Reversal of impairment losses recognised | (5,232) | 1,831 |
| in respect of deposits | _ | (2,778) |
| Write back of long outstanding payables Gain on deregistration of a subsidiary | (500) | (3,219) (1,585) |
| Gain on disposal of subsidiaries | (1,625) | (1,363) |



For the six months ended 30 June 2011

9. INTERIM DIVIDEND

No dividends were paid, declared or purposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 June 2010: nil).

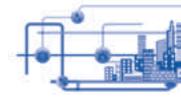
10. (LOSS) EARNINGS PER SHARE

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

| | Six months e 2011 HK\$'000 (Unaudited) | nded 30 June 2010 HK\$'000 (Unaudited) |
|---|---|---|
| Earnings (Loss) profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share | (20,752) | 34,995 |
| Number of shares Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | 1,566,289,092 | 1,551,056,993 |

For the six months ended 30 June 2011, diluted loss per share was same as the basic loss per share, as the effect of the conversion of the Company's share options was anti-dilutive for the six months ended 30 June 2011.

For the six months ended 30 June 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 six months ended 30 June 2010.



For the six months ended 30 June 2011

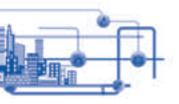
11. MOVEMENTS IN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

During the six months ended 30 June 2011, the Group spent approximately HK\$2,115,000 (six months ended 30 June 2010: approximately HK\$1,306,000) for the acquisition of property, plant and equipment.

Property, plant and equipment with a net carrying value of approximately HK\$12,197,000 were disposed of by the Group during the six months ended 30 June 2011 (six months ended 30 June 2010: approximately HK\$7,082,000), resulting in a gain on disposal of approximately HK\$9,050,000 (six months ended 30 June 2010: loss of approximately HK\$6,959,000).

During the six months ended 30 June 2011, property, plant and equipment with net carrying value of approximately HK\$39,759,000 (six months ended 30 June 2010: nil) was impaired mainly due to an integration of production line which resulted in the idleness of certain plants and equipment. The basis of impairment was made reference to the subsequent disposal price of the idle property, plant and equipment. Details of which are set out in the announcement issued by the Company on 4 August 2011.

During the six months ended 30 June 2011, the directors of the Company conducted a review of the Group's intangible assets and determined that several intangible assets were impaired due to cessation of production of certain products. Accordingly, impairment losses of approximately HK\$2,493,000 (six months ended 30 June 2010: nil) have been recognised in respect of intangible assets.



For the six months ended 30 June 2011

11. MOVEMENTS IN INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LEASE PAYMENTS ON LAND USE RIGHTS (Continued)

During the six months ended 30 June 2010, the Group transferred an office building previously classified as property, plant and equipment and prepaid lease payment on land use rights with carrying amounts of approximately HK\$5,515,000 and HK\$6,607,000 respectively to investment properties. The fair value of the investment properties on the date of transfer amounted to approximately HK\$17,831,000 which was valued by an independent valuer. The valuation was arrived by reference to market evidence of transaction prices for similar properties in the same locations and conditions. The resulting increase in fair value of investment properties of approximately HK\$5,723,000 has been recognised directly in condensed statement of comprehensive income for the six months ended 30 June 2010.

The directors of the Company considered the carrying amounts of the Group's investment properties as at 30 June 2011 did not differ significantly from their fair values. Consequently, no change in fair value has been recognised in the current period.

12. GOODWILL

The amount represents goodwill in relation to the acquisition of the entire equity interest in Sichuan Hengtai Pharmaceutical Company Limited and its subsidiary ("Hengtai Group") in 2008.

At 30 June 2011, the management of the Group assessed the recoverable amount of Hengtai Group with reference to the valuation report of the Hengtai Group issued by BMI Appraisals Limited ("BMI"), an independent professional valuer not connected to the Group, and determined that goodwill was further impaired by approximately HK\$25,142,000 (six months ended 30 June 2010: nil). The impairment of the cash generating unit was mainly attributable to the uncertainties on renewing the food hygiene license (食品衛生許可證) for Osteoform compound calcium amino acid chelate food capsule ("Osteoform Food Product") as set out in the announcement of the Company issued on 4 August 2011. The uncertainties on the renewal of the food hygiene license may lead to a substantial decrease in the sale of Osteoform Food Product in the PRC.



For the six months ended 30 June 2011

12. GOODWILL (Continued)

The basis of calculating the recoverable amount and the principal underlying assumptions are summarised as below:

The recoverable amount of Hengtai Group has been determined on the basis of value-in-use calculations. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period, and discount rate of approximately 20.13% (year ended 31 December 2010: 19.51%).

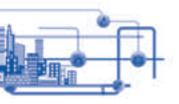
Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Hengtai Group to exceed the aggregate recoverable amount of Hengtai Group.

13. 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 allowance for doubtful debts, is as follows:

| | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|--|--|--|
| Within 30 days 31–60 days 61–90 days Over 90 days | 28,535 10,505 7,356 1,291 | 13,755 18,381 10,161 263 |
| | 47,687 | 42,560 |



For the six months ended 30 June 2011

14. TRADE AND OTHER PAYABLES

The following is an analysis of trade and bills payables by age, presented based on the invoice date:

| | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|--|--|--|
| Within 30 days 31–60 days 61–90 days Over 90 days | 6,529 3,821 3,366 590 | 16,448 946 1,797 385 |
| | 14,306 | 19,576 |

15. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|--|---------------------|--------------------|
| Ordinary share of HK\$0.01 each | | |
| Authorised: | | |
| At 1 January 2010, 31 December 2010 and 30 June 2011 | 50,000,000,000 | 500,000 |
| Issued and fully paid: | | |
| At 1 January 2010, 30 June 2010 and 1 January 2011 | 1,551,056,993 | 15,511 |
| Exercise of share options | 79,530,000 | 795 |
| | | |
| At 30 June 2011 | 1,630,586,993 | 16,306 |



For the six months ended 30 June 2011

16. SHARE OPTION

The Company has a share option scheme for eligible directors and employees of the Group. Pursuant to an ordinary resolution passed at the annual general meeting held on 2 June 2010, a new share option scheme was adopted and the existing share option scheme of the Company adopted on 23 July 2003 ("2003 Share Option Scheme") was terminated. Any share options granted pursuant to the 2003 Share Option Scheme prior to the termination will remain exercisable before the expiration date.

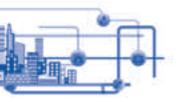
During the six months ended 30 June 2011, 79,530,000 share options (six months ended 30 June 2010: nil) were exercised. As at 30 June 2011, 32,860,000 (31 December 2010: 112,390,000) share options are outstanding.

The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK\$1.38.

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2011 and 2010, the Group has the following significant related party transactions:

(a) A tax indemnity dated 30 January 2002 was entered into by the then controlling shareholders of the Company, the Company and its subsidiaries, pursuant to which the then controlling shareholders provide indemnities on a joint and several basis in respect of, among other matters, taxation which might be payable by any member of the Group (other than those established or incorporated subsequent to the date of the tax indemnity) in respect of any income, profits or gains earned, accrued or received on or before 7 February 2002.



For the six months ended 30 June 2011

17. RELATED PARTY TRANSACTIONS (Continued)

(b) The remuneration of directors of the Company and other members of key management during the period was as follows:

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2011 HK\$'000 (Unaudited) | 2010 HK\$'000 (Unaudited) |
| Short-term benefits Post-employment benefits | 2,629 72 | 5,977 41 |
| | 2,701 | 6,018 |

18. COMMITMENTS

(a) Capital commitments for the acquisition of property, plant and equipment

| | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|---------------------------------|--|--|
| Contracted but not provided for | 843 | 940 |



For the six months ended 30 June 2011

18. COMMITMENTS (Continued)

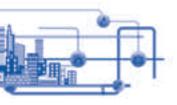
(b) Capital commitments for properties under development

| | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|---|--|--|
| Contracted but not provided for Authorised but not contracted for | 4,088 770,225 | 230 759,439 |
| | 774,313 | 759,669 |

19. PLEDGE OF ASSETS

At 30 June 2011 and 31 December 2010, certain assets of the Group were pledged to secure banking facilities granted to the Group as follows:

| | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|--|--|--|
| Property, plant and equipment Investment properties Bank balances and cash Prepaid lease payments on land use rights | 38,741 81,129 644 16,240 | 62,457 78,396 12,138 15,875 |
| | 136,754 | 168,866 |



For the six months ended 30 June 2011

20. EVENTS AFTER THE END OF THE INTERIM PERIOD

- (i) On 25 July 2011, Sichuan Vital Pharmaceutical Company Limited* ("Sichuan Vital") 四川維奧製藥有限公司, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party, Sichuan Hebon Enterprise Company Limited* ("Sichuan Hebon") 四川禾邦實業有限公司, pursuant to which Sichuan Vital agreed to dispose of and Sichuan Hebon agreed to acquire the entire equity interest of Chengdu Vital Pharmaceutical Company Limited* 成都維奧製藥有限公司 at cash consideration of RMB1,500,000 (equivalent to approximately HK\$1,783,000).
- (ii) On 25 July 2011, Chengdu Vital Property Co., Ltd.* ("Vital Property") 成都維 奧置業有限公司, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party, Sichuan Hebon, pursuant to which Vital Property agreed to dispose of certain property, plant and equipments to Sichuan Hebon at cash consideration of RMB2,500,000 (equivalent to approximately HK\$2,971,000).
- (iii) On 29 July 2011, Vital Property entered into a conditional agreement with an independent third party, Sichuan Longhe Properties Limited* ("Sichuan Longhe") 四川隆禾置業有限公司, pursuant to which Vital Property agreed to dispose of and Sichuan Longhe agreed to acquire the entire equity interest of and the shareholder's loan owing by Chengdu Wenjiang Vital Property Development Company Limited* 成都溫江維奧房地產開發有限公司 at an aggregate cash consideration of RMB230,609,000 (equivalent to approximately HK\$274,045,000). The completion of disposal is subject to the passing of an ordinary resolution at an extraordinary general meeting. Details of which are set out in the announcement issued by the Company on 29 July 2011.



For the six months ended 30 June 2011

20. EVENTS AFTER THE END OF THE INTERIM PERIOD (Continued)

- (iv) Subsequent to 30 June 2011, the directors of the Company consider to temporarily suspend the production of Osteoform Food Product. Details are set out in the Company's announcement on 4 August 2011.
- (v) On 16 August 2011, Yugofoil Holdings Limited ("Yugofoil"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with an independent third party, Bright Future Pharmaceutical Holdings Limited ("Bright Future"), pursuant to which Yugofoil agreed to dispose of and Bright Future agreed to acquire the entire equity interest of Sichuan Vital at cash consideration of HK\$51,000,000. Details of which are set out in the Company's announcement on 16 August 2011.
- * The English transliteration of the Chinese name of the company is for identification purpose only and should not be regarded as the official English name of the company.