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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Vital Pharmaceutical Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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

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

**PROPOSAL FOR GENERAL MANDATES TO ALLOT AND ISSUE SHARES
AND TO REPURCHASE SHARES,
ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME,
PROPOSED CHANGE OF COMPANY NAME,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the AGM (as defined herein) to be held at Caine Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 2 June 2010 (Wednesday) at 11:00 a.m. is set out on pages 31 to 36 of this circular. Whether or not you are able to attend the AGM in person, you are requested to complete and return the accompanying form of proxy enclosed with this circular in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

27 April 2010

CONTENTS

| | <i>Pages</i> |
|--|--------------|
| Definitions | 1 |
| Letter from the Board | |
| Introduction | 4 |
| General mandates to allot and issue shares | 5 |
| General mandate to repurchase shares | 5 |
| General mandate to extend the issue mandate | 6 |
| Adoption of the new share option scheme and termination of the existing share option scheme | 6 |
| Conditions precedent of the new share option scheme | 8 |
| Re-election of Directors | 9 |
| Proposed Change of Company Name | 9 |
| AGM | 10 |
| Voting by poll | 10 |
| Responsibility statement | 11 |
| Recommendation | 11 |
| Additional information | 11 |
| Appendix I – Explanatory Statement | 12 |
| Appendix II – Summary of principal terms of the new share option scheme | 16 |
| Appendix III – Particulars of Directors subject to re-election | 25 |
| Notice of Annual General Meeting | 31 |

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meaning:

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| “AGM” | the annual general meeting of the Company to be convened and held at Caine Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 2 June 2010 (Wednesday) at 11:00 a.m., the notice of which is set out on pages 31 to 36 of this circular; |
| “Articles” | the articles of association of the Company as altered from time to time; |
| “Associates” | has the meaning ascribed to this term under the Listing Rules; |
| “Board” | the board of Directors; |
| “Companies Law” | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands; |
| “Company” | Vital Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange; |
| “Director(s)” | the director(s) of the Company; |
| “Eligible Participant” | any employees, non-executive directors, directors, suppliers, customers, advisors, consultants, business 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; |
| “Existing Share Option Scheme” | the share option scheme of the Company adopted on 23 July 2003; |
| “Grantee” | any Eligible Participant who accepts an offer of a grant of an Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee; |
| “Group” | the Company and its subsidiaries; |

DEFINITIONS

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| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Issue Mandate” | a general and unconditional mandate to the Directors to exercise the power of the Company to allot, issue or otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the resolution approving this issue mandate at the AGM; |
| “Latest Practicable Date” | 22 April 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “New Share Option Scheme” | the new share option scheme which is proposed to be adopted by the Company at the AGM, the principal terms of which are set out in Appendix II to this circular; |
| “Option(s)” | option(s) granted or to be granted to the Eligible Participant(s) to subscribe for Share(s) under the Existing Share Option Scheme or, after its expiry, under the New Share Option Scheme; |
| “PRC” | The People’s Republic of China; |
| “Repurchase Mandate” | a general and unconditional mandate to the Directors to repurchase shares of the Company the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the resolution approving this repurchase mandate at the AGM; |
| “Scheme Mandate Limit” | the total number of Shares in respect of which Options may be granted pursuant to the New Share Option Scheme and any other share option schemes of the Company, not exceeding 10% of the issued share capital of the Company as at the date of approval of the New Share Option Scheme; |

DEFINITIONS

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| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company; |
| “Shareholder(s)” | holder(s) of Share(s); |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time; and |
| “%” | per cent. |



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

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

Directors:

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

Mr. Lee Kwong Yiu*
Mr. Lui Tin Nang*
Mr. Chong Cha Hwa*

* *independent non-executive Directors*

Registered Office:

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

*Head Office and Principal Place
of Business in Hong Kong:*

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

27 April 2010

To the Shareholders, and, for information only, holders of Options

Dear Sir or Madam,

**PROPOSAL FOR GENERAL MANDATES TO ALLOT AND ISSUE SHARES
AND TO REPURCHASE SHARES,
ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME,
PROPOSED CHANGE OF COMPANY NAME,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to the forthcoming AGM for the approval of, among others, (i) the proposed grant of the Issue Mandate and the Repurchase Mandate; (ii) the proposed extension of the Issue Mandate; (iii) the proposed adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme; (iv) the proposed change of company name; and (v) the proposed re-election of Directors at the forthcoming AGM. In addition, the purpose of this circular is to give you notice of the AGM to be convened for the purpose of considering and, if thought fit, passing, among others, the abovementioned

LETTER FROM THE BOARD

resolutions. In compliance with the Listing Rules, this circular contains an explanatory statement which provides all the information reasonably necessary to enable the Shareholders to make informed decisions on whether to vote for or against the resolution approving the Repurchase Mandate and other relevant information.

GENERAL MANDATES TO ALLOT AND ISSUE SHARES

At the annual general meeting of the Company held on 1 June 2009, an ordinary resolution was passed by the then Shareholders granting the existing issue mandate to the Directors, which is due to expire at the conclusion of the AGM.

At the forthcoming AGM, ordinary resolutions will be proposed to renew the general mandates to the Directors so that the Directors will be empowered to allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company, amounting to 310,211,398 shares, as at the date of passing such resolution, on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and up to the date of passing of such resolution at the AGM.

The Issue Mandate will remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the applicable Companies Law or the Articles; and (iii) the date on which such an authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 1 June 2009, an ordinary resolution was passed by the then Shareholders granting the existing repurchase mandate to the Directors, which is due to expire at the conclusion of the AGM.

An ordinary resolution will be proposed at the AGM to grant to the Directors a fresh Repurchase Mandate, i.e. a general and unconditional mandate to repurchase Shares subject to the maximum number of shares of up to 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of such resolution. The Repurchase Mandate will remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the applicable Companies Law or the Articles; and (iii) the date on which such an authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

Under the Listing Rules, the Company is required to give to the Shareholders an explanatory statement containing all information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate. The explanatory statement required by the Listing Rules is set out in the Appendix I to this circular.

The Board wishes to state that they have no present intention to repurchase any Shares or issue any new Shares in the event that these general mandates are approved.

LETTER FROM THE BOARD

GENERAL MANDATE TO EXTEND THE ISSUE MANDATE

An ordinary resolution will be proposed at the AGM to extend the Issue Mandate by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the issued share capital of the Company on the date of passing the resolution approving the Issue Mandate.

ADOPTION OF THE NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme

Pursuant to an ordinary resolution passed by the Shareholders at a general meeting held on 23 July 2003, the Company had adopted the Existing Share Option Scheme to replace the share option scheme adopted on 26 January 2002. Pursuant to the Existing Share Option Scheme, the Board was authorised to grant Options to any employees, 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.

As at the Latest Practicable Date, a total of 30,000,000 Options exercisable at HK\$0.39 under the Existing Share Option Scheme were granted to certain employees of the Group and certain staffs of major customers of the Group on 21 June 2002, of which 3,840,000 Options had been exercised, 25,830,000 Options had been cancelled or lapsed and 330,000 Options remain outstanding.

As at the Latest Practicable Date, a total of 19,800,000 Options exercisable at HK\$0.24 under the Existing Share Option Scheme were granted to certain directors of subsidiaries of the Company on 28 February 2003, all of these Options had been exercised.

As at the Latest Practicable Date, a total of 30,000,000 Options exercisable at HK\$0.51 under the Existing Share Option Scheme were granted to certain employees of the Group, certain directors of subsidiaries of the Company and a consultant on 29 September 2003, of which 3,180,000 Options had been exercised, 13,060,000 Options had been cancelled or lapsed and 13,760,000 Options remain outstanding.

As at the Latest Practicable Date, a total of 69,800,000 Options exercisable at HK\$0.23 under the Existing Share Option Scheme were granted to the Directors, certain employees of the Group and certain directors of subsidiaries of the Company on 12 September 2005, of which 8,500,000 Options had been exercised, 28,500,000 Options had been cancelled, no Options had been lapsed and 32,800,000 Options remain outstanding.

LETTER FROM THE BOARD

As at the Latest Practicable Date, a total of 67,500,000 Options exercisable at HK\$0.28 under the Existing Share Option Scheme were granted to the Directors certain employees of the Group, certain directors of subsidiaries and consultants of the Company on 29 January 2008, of which no Options had been exercised or lapsed and 67,500,000 Options remain outstanding.

Termination of the Existing Share Option Scheme

Under the terms of the Existing Share Option Scheme, the Company by ordinary resolution in general meeting may at any time terminate the operation of the Existing Share Option Scheme. At the AGM, an ordinary resolution will be proposed by the Directors for the Company to terminate the operation of the Existing Share Option Scheme (such that no further Options could thereafter be offered under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect) and to approve and adopt the New Share Option Scheme, which will take effect on the date of its adoption at the AGM subject to the Stock Exchange granting approval for the listing of and dealing in the Shares which fall to be allotted and issued upon the exercise of the Options in accordance with the terms and conditions of the New Share Option Scheme.

New Share Option Scheme

The purpose of the New Share Option Scheme is to grant Options to the Eligible Participants as incentives or rewards for their contribution to the Company and/or any of the Subsidiaries. The rules of the New Share Option Scheme provide that the Company may specify the Eligible Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the exercise price is also specified precisely in the rules of the New Share Option Scheme.

There is no performance target specified in the New Share Option Scheme. Subject to the approval of the New Share Option Scheme by the Shareholders, a resolution will be proposed at the AGM for the Board to grant Options under the New Share Option Scheme for the subscription of not more than 10% of the entire issued capital of the Company (excluding, for this purpose, Options which have lapsed in accordance with the terms of any other share option scheme of the Group, and the outstanding Options granted and yet to be exercised pursuant to the Existing Share Option Scheme) as at the date of the passing of the relevant resolution.

As at the Latest Practicable Date, there were 1,551,056,993 Shares in issue and a total of 114,390,000 Options granted under the Existing Share Option Scheme are still outstanding and exercisable. Assuming that no further Shares are allotted, issued or repurchased prior to the AGM, the total number of Shares that may fall to be allotted and issued upon exercise in full of the Options that may be granted after the resolution authorising the Directors to allot and issue up to 10% of the then issued share capital of the Company has passed at the AGM would be 155,105,699 Shares, representing approximately 10% of the total number of Shares in issue, which is within the overall limit of 30% prescribed under Rule 17.03(3) of the Listing Rules. If all outstanding Options (i.e.

LETTER FROM THE BOARD

114,390,000 Options) are exercised in full prior to the AGM, the number of Shares in issue would be increased to 1,665,446,993 Shares, the total number of Shares that may fall to be allotted and issued upon exercise in full of the Options that may be granted after the resolution authorising the Directors to allot and issue up to 10% of the then issued share capital of the Company has passed at the AGM would be 166,544,699 Shares.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but not limited to the exercise price, exercise period and lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

In respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

CONDITIONS PRECEDENT OF THE NEW SHARE OPTION SCHEME

The adoption of the New Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution to adopt the New Share Option Scheme by the Shareholders at the AGM; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of the Options in accordance with the terms and conditions of the New Share Option Scheme.

Subject to the obtaining of the Shareholders' approval with respect to the adoption of the New Share Option Scheme at the AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued capital of the Company as at the date on which the New Share Option Scheme is adopted unless the Company obtains a fresh approval from Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix II to this circular. A copy of the rules of the New Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at Unit 7, 31st Floor, Tower 1, Lippo Centre, 89 Queensway, Hong Kong during normal business hours from the date hereof up to the date of AGM.

LETTER FROM THE BOARD

None of the Directors is a trustee of the New Share Option Scheme or has any direct or indirect interest in such trustee, if any.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

RE-ELECTION OF DIRECTORS

In accordance with Article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specified term, shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Chong Cha Hwa, Ms. Guo Lin and Mr. Lui Tin Nang will retire by rotation at the AGM and, being eligible, will offer himself for re-election.

In accordance with Article 112 of the Articles, any Director appointed during the year to fill a casual vacancy or as an additional Director shall hold office only until the following annual general meeting and shall then be eligible for re-election at the meeting. Accordingly, Mr. Huang Zemin, Mr. Chen Zhiyu and Mr. Li Ke will retire from office at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Particulars of the Directors subject to re-election at the AGM are set out in Appendix III to this circular.

PROPOSED CHANGE OF COMPANY NAME

As disclosed in the announcement dated 16 April 2010, the Board proposes to change the name of the Company from “Vital Pharmaceutical Holdings Limited” to “Vital Group Holdings Limited” and to adopt “維奧集團控股有限公司” as the new Chinese name of the Company, subject to the condition set out below being fulfilled.

Reasons for change of name

In order to better reflect the Group’s broaden investment strategies, the Board proposes to change the company name. The Board believes that the new name can improve the Company’s corporate image and identity, which the Board believes to be in the interests of the Company and the Shareholders as a whole.

Condition of the change of name

The proposed change of company name is subject to the passing of a special resolution by the Shareholders at the AGM to approve the proposed change of company name.

The new name of the Company will take effect from the date of entry of the new name of the register maintained by the Registrar of Companies in Cayman Islands. The Company will then carry out all necessary filing procedures with the Registrar of Companies in Hong Kong.

LETTER FROM THE BOARD

Effects of change of name

The proposed change of name of the Company will not affect any rights of the Shareholders. All existing share certificates of the Company under the name of “Vital Pharmaceutical Holdings Limited” shall, after the proposed change of name becoming effective, continue to be evidence of title to the Shares and will be valid for trading, settlement and delivery for the same number of Shares in the new name of the Company. As such, no arrangement will be made for the exchange of existing share certificates of the Company for the new share certificates bearing the Company’s new name as a result of the proposed change of company name.

Once the change of name has become effective, any new share certificates of the Company will be issued in the new name of the Company and the securities of the Company will be traded on the Stock Exchange in the new name.

Further announcement will be made by the Company when the change of company name becomes effective together with the relevant trading arrangement (if any) and new stock short name (if applicable) as a result of the change of company name.

AGM

The notice convening the AGM is set out on pages 31 to 36 of this circular. At the AGM, ordinary resolutions will be proposed to approve, among others, the Issue Mandate, the Repurchase Mandate, the extension of the Issue Mandate, the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme and the re-election of Directors. A special resolution will be proposed to approve the change of company name.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you intend to attend the AGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible but in any event, not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll, the chairman of the AGM will demand a poll for each and every resolution put forward at the AGM pursuant to Article 72 of the Articles. The Company will appoint scrutineers to handle vote-taking procedures at the AGM. The results of the poll will be published by the Company after the AGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Board considers that the proposal for the Issue Mandate and the Repurchase Mandate and the extension of the Issue Mandate are in the best interests of the Company and its Shareholders as a whole as the Issue Mandate and the extension of the Issue Mandate allows the Board to have more flexibility to raise funds by issuing new shares to potential investors as and when appropriate without the necessity to seek the approval from the Shareholders for each fund raising exercise. The Board also considers that the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme, the re-election of the Directors and the proposed change of company name are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Vital Pharmaceutical Holdings Limited
Xu Xiaofan
Chairman

The following explanatory statement contains all the information required pursuant to Rule 10.06 of the Listing Rules to be given to all Shareholders relating to the resolution to be proposed at the forthcoming AGM authorising the Repurchase Mandate and to enable all Shareholders to make an informed decision whether to vote for or against the resolution to approve the grant of the Repurchase Mandate to the Directors.

1. EXERCISE OF THE REPURCHASE MANDATE

As at the Latest Practicable Date, there was a total of 1,551,056,993 Shares in issue. Subject to the passing of the ordinary resolution as set out in the notice of the AGM and assuming that no further Shares are issued or purchased by the Company, the Directors would be authorised to repurchase up to 155,105,699 Shares (being 10% of the Shares in issue) during the period up to (i) the next annual general meeting of the Company in 2011; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Law to be held; or (iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in a general meeting of the Company, whichever occurs first.

2. REASONS FOR REPURCHASE

Notwithstanding that the Directors have no present intention to repurchase any Shares, the Directors believe that it is in the best interests of the Company and the Shareholders as a whole to seek a general authority from the Shareholders to enable the Company to repurchase the Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the value of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders.

3. GENERAL

As disclosed in the most recent published audited consolidated financial statements of the Company for the year ended 31 December 2009, the Directors consider that there might be a material adverse impact on the working capital or gearing position of the Company in the event that the proposed share repurchases were to be carried out in full during the proposed purchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of the Company.

4. FUNDING OF REPURCHASES

Repurchase made pursuant to the Repurchase Mandate must be funded out of the funds legally available for such purpose and in accordance with the memorandum of association of the Company, the Articles, the Companies Law and the applicable laws of the Cayman Islands and the Listing Rules.

The laws of the Cayman Islands provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares, or funds of the Company which would otherwise be available for dividend or distribution or the proceeds of a new issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Such purchase may not be made if, on the date the purchase is to be effected, there are reasonable grounds to believe that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

A listed company in Hong Kong may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules.

5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention, in the event that the repurchase proposal is approved by the Shareholders, to sell Shares to the Company or its subsidiaries if the Repurchase Mandate is approved by the Shareholders.

As at the Latest Practicable Date, the Company has not been notified by any of its connected person (as defined in the Listing Rules) that he/she has a present intention to sell Shares to the Company or its subsidiaries, or has undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange, so far as the same may be applicable, that they will only exercise the power of the Company to make repurchases of its Shares pursuant to the Repurchase Mandate and in accordance with the Listing Rules, the Company's memorandum of association and Articles and all applicable laws of the Cayman Islands.

6. EFFECT OF TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If on exercise of the power to repurchase Shares under the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such an increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

The Directors have no present intention to exercise the Repurchase Mandate to such extent so as to result in triggering a mandatory offer obligation or the public holding of Shares would be reduced below 25% of the issued share capital of the Company.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, other than Perfect Develop Holding Inc. (whose shareholders include Mr. Tao Lung, Mr. Huang Jianming and Mr. Liu James Jin) holding 522,526,940 Shares, representing approximately 33.69% of the issued share capital as at the Latest Practicable Date, no other person had notified the Company that it had an interest of 10% or more of the issued share capital of the Company.

On the basis that 1,551,056,993 Shares were in issue as at the Latest Practicable Date and assuming that there will be no further issue nor repurchase of Shares for the period from the Latest Practicable Date up to and including the date of the AGM, in the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding percentage of Perfect Develop Holding Inc. and persons acting in concert (as defined in the Takeovers Code) with each of them, in such circumstances, may technically be obliged to make a mandatory offer in accordance with the Takeovers Code on account of the creeper provisions, subject to any exemptions available under the Takeovers Code. The Directors do not intend to exercise the Repurchase Mandate to repurchase the Shares if that repurchase would result in the above persons becoming obliged to make a mandatory offer in accordance with the Takeovers Code or in the number of Shares which are in the hands of the public falling below 25% of the Company's issued share capital.

7. SHARE PURCHASE MADE BY THE COMPANY

The Company has not repurchased any of its Shares (whether on the Stock Exchange or otherwise) during the six months period immediately preceding the Latest Practicable Date.

8. SHARE PRICES

During each of the previous twelve calendar months immediately preceding the Latest Practicable Date, the highest and lowest prices at which the Shares had been traded on the Stock Exchange were as follows:

| | Per Share | |
|---|------------------------|-----------------------|
| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
| 2009 | | |
| April | 0.233 | 0.092 |
| May | 0.199 | 0.146 |
| June | 0.290 | 0.179 |
| July | 0.245 | 0.206 |
| August | 0.240 | 0.180 |
| September | 0.213 | 0.160 |
| October | 0.183 | 0.150 |
| November | 0.220 | 0.170 |
| December | 0.213 | 0.177 |
| 2010 | | |
| January | 0.220 | 0.181 |
| February | 0.209 | 0.166 |
| March | 0.236 | 0.171 |
| April (up to the Latest Practicable Date) | 0.330 | 0.192 |

This Appendix summarises the principal terms of the New Share Option Scheme but does not form, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as effecting the interpretation of the rules of the New Share Option Scheme.

(A) PURPOSE OF THE SCHEME

The purpose of the New Share Option Scheme is to enable the Company to grant Options to Eligible Participants as incentives or rewards for their contribution to the Company and/or any of the Subsidiaries.

(B) ELIGIBLE PARTICIPANTS OF THE NEW SHARE OPTION SCHEME AND ELIGIBILITY CRITERIA

The Eligible Participants of the New Share Option Scheme to whom Option(s) may be granted by the Board shall include any employees, 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.

(C) MAXIMUM NUMBER OF SHARES

1. The total number of Shares which may be issued upon exercise of all Options which may be granted under the New Share Option Scheme and any other share option schemes of the Company ("**Scheme Mandate Limit**") shall not exceed ten percent (10%) of the total number of Shares in issue as at the date on which this scheme will be approved and adopted by the Shareholders, unless the Company obtains a refresh approval from the Shareholders pursuant to paragraph 2 below. Options lapsed in accordance with the terms of the New Share Option Scheme shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
2. The Company may seek approval of the Shareholders in general meetings to renew the Scheme Mandate Limit provided that the Scheme Mandate Limit so renewed must not exceed ten percent (10%) of the Shares in issue at the date of the approval of the renewal by the Shareholders. Upon any such renewal, all options granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme and any other share option schemes of the Company and exercised options) prior to the approval of such renewal shall not be counted for the purpose of calculating whether the renewed Scheme Mandate Limit has been exceeded. In seeking the approval, the Company shall send a circular to the Shareholders.
3. The Company may grant Options to the Eligible Participant(s) beyond the Scheme Mandate Limit if the grant of such Options is specifically approved by the Shareholders in general meeting. In seeking such approval, a circular must be sent to the Shareholders containing a generic description of the identified

Eligible Participant(s), the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Participant(s), and how the terms of these Options serve such purpose.

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and options which may be granted under any other share option schemes of the Company shall not exceed thirty percent (30%) of the total number of Shares in issue from time to time.

(D) MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

1. The total number of Shares issued and to be issued upon exercise of the Options granted under the New Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding Options) to each Eligible Participant in any 12-month period must not exceed one percent (1%) of the then total issued share capital of the Company (the “**Individual Limit**”).
2. Any further grant of Options to an Eligible Participant in excess of the Individual Limit (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders’ approval in general meeting of the Company with such Eligible Participant and his associates abstaining from voting.

A circular must be sent to the Shareholders disclosing the identity of the identified Eligible Participant(s), the number and terms of the Options granted and to be granted, the number and terms of Options to be granted to such identified Eligible Participant(s) must be fixed before the Shareholders’ approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price.

(E) GRANT OF OPTIONS TO CONNECTED PERSONS

1. Each grant of Options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules) must comply with the requirements of the Listing Rules. Each grant of Options to any of these persons must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the Options).
2. Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already

granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1 percent (0.1%) of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000;

such further grant of Options must be approved by the Shareholders on a poll in a general meeting. All connected persons of the Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting subject to the requirements of the Listing Rules. A Shareholders' circular must be prepared by the Company explaining the proposed grant of Option, disclosing the number and terms of the Option (including the exercise price) proposed to be granted and the recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option) as to voting. Any change in the terms of the Options granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates must be approved by the Shareholders in general meeting.

(F) TIME OF ACCEPTANCE AND EXERCISE OF AN OPTION

An offer of grant of an Option may be accepted by an Eligible Participant within twenty-eight (28) days from the date of the offer of grant of the Option. A consideration of HK\$1.00 is payable on acceptance of the offer of grant of an Option. To the extent that the offer of grant of an Option is not accepted within twenty-eight (28) days from the date on which the offer for the grant of Options is made in the manner indicated herein, it will be deemed to have been irrevocably declined and lapsed automatically.

An Option shall be exercisable in whole or in part and in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the day on which the offer for the grant of Options is made but shall end in any event not later than ten (10) years commencing from the date the Board makes an offer of the grant of an Option subject to the provisions for early termination thereof. Directors have discretion to impose a minimum period for which an Option has to be held before the exercise of the subscription rights attaching thereto on case by case basis.

Unless the Directors otherwise determine and state in the offer of the grant of Options to an Eligible Participant, there is no minimum period for which an Option granted under the New Share Option Scheme must be held before it can be exercised.

(G) PERFORMANCE TARGETS

Unless the Directors otherwise determine and state in the offer of the grant of Options to an Eligible Participant, an Eligible Participant is not required to achieve any performance targets before any Options granted under the New Share Option Scheme can be exercised. Directors have discretion to impose the performance targets restriction on case by case basis.

(H) EXERCISE PRICE FOR SHARES

Subject to the adjustment made in accordance with the terms of the New Share Option Scheme, the exercise price in respect of any particular Option shall be such price as determined by the Board in its absolute discretion at the time of making the offer of grant of an option (which shall be stated in the letter containing the offer of grant of an option) but in any case the exercise price must be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. Without prejudice to the generality of the foregoing, the Directors may grant Options in respect of which the exercise price is fixed at different prices for different periods during the option period provided that the exercise price for Shares for each of the different periods shall not be less than the exercise price determined in the manner set out herein.

(I) RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders of Options to participate in voting, transfer and other rights including those arising on liquidation of the Company, and all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

(J) RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

No offer for grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly, or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly

or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements, no Option may be granted.

The Directors may not grant any Option to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(K) LIFE OF THE NEW SHARE OPTION SCHEME

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but the provisions of the New Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any Options granted prior thereto but not exercised before the termination of the New Share Option Scheme will continue to be exercisable and valid. The terms and conditions of the New Share Option Scheme including those governing the mode of exercise of an Option will continue in full force and effect with the exception that no further Option will be granted. Subject to the aforesaid, the New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the New Share Option Scheme becomes effective, after which period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects.

(L) RIGHTS ON CEASING EMPLOYMENT

If the Grantee of an Option is an employee of the Group and ceases to be an employee of the Group for reason of retirement, ill-health, disability or injury other than death or serious misconduct or other grounds referred to in sub-paragraph (N) below before exercising his or her Option in full, the Option (to the extent which has become exercisable and not already exercised) will be exercisable in whole or in part within a period of six (6) months following the date of such cessation and the expiry of the such period will be subject terms set out in paragraph (F).

(M) RIGHTS ON DEATH

If the Grantee of an Option ceases to be an Eligible Participant by reason of death before exercising the Option in full (provided that none of the events which would be a ground for termination of his or her employment under paragraph (N) below arises prior to his or her death), the personal representative of this Grantee shall be entitled to exercise any Option which has then become exercisable (to the extent not already exercised) in whole or in part within a period of six (6) months following the date of such cessation and the expiry of the such period will be subject to terms set out in paragraph (F).

(N) RIGHTS ON DISMISSAL

If the Grantee of an Option is an employee of the Group and ceases to be an employee of the Group by reason that he has been guilty of misconduct or has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the employee's service contract with the Company or the relevant subsidiary of the Group or the relevant invested entity, his or her Option will lapse automatically on the date the Grantee ceases to be an employee of the Group.

(O) RIGHTS ON BREACH OF CONTRACT

If the Directors at their absolute discretion determine that the Grantee of any Option (other than an employee) or his or her associate has committed any breach of any contract entered into between the Grantee or his or her associate on the one part and the Group on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, the Directors shall determine that any Options granted to the Grantee which has not become exercisable shall lapse. In such event, his or her Options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(P) RIGHTS ON A GENERAL OFFER

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, on the exercise in full of the Options granted to them, Shareholders of the Company. If such offer becomes or is declared unconditional, a Grantee shall be entitled to exercise his or her Option (to the extent not already exercised) to his or her full extent or to the extent specified in the Grantee's notice to the Company in exercise of his or her Option at any time before the close of such offer (or any revised offer). Subject to the above, an Option will lapse automatically (to the extent not already exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(Q) RIGHTS ON WINDING UP

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time no later than two (2)

business days prior to the date on which such resolution is to be passed, exercise his or her Option (to the extent which has become exercisable and not already exercised) either to his or her full extent or to the extent specified in such notice in accordance with the provisions of the New Share Option Scheme and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her Option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the Shares in issue on the date prior to the date of the passing of the resolution to wind up the Company. Subject to the above, an Option will lapse automatically (to the extent not already exercised) on the date of the commencement of the winding up of the Company.

(R) RIGHTS ON COMPROMISE OR ARRANGEMENT BETWEEN THE COMPANY AND ITS CREDITORS

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or his or her legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court be entitled to exercise his or her Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement. Subject to the above, an Option will lapse automatically (to the extent not already exercised) on the date the proposed compromise or arrangement becomes effective.

(S) EFFECT OF ALTERATIONS TO CAPITAL

In the event of any alterations in the capital structure of the Company whether by way of a capitalization issue, rights issue, sub-division or consolidation of Shares or reduction of capital whilst any Option remains exercisable, such corresponding alterations (if any) certified by an independent financial advisor or the auditors of the Company for the time being as fair and reasonable and in accordance with the requirements of the Listing Rules shall be made in the number of Shares subject to the Option so far as unexercised; and/or the exercise price; provided that no alteration shall be made so that a Share would be issued at less than its nominal value or which would give a Grantee a different proportion of the issued share capital of the Company as that to which he was previously entitled.

(T) CANCELLATION OF OPTIONS

Any cancellation of any Option (which has been granted but not yet exercised) shall be conditional on the approval by the Board and the option holder(s) concerned.

In the event that the Board elects to cancel Options and issues new options to the same option holder, the issue of such new options shall be made with available unissued options (excluding the cancelled Options) within the Scheme Mandate Limit or the refreshed limit, as the case may be.

(U) TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but the provisions of the New Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any Options granted prior thereto but not exercised before the termination of the New Share Option Scheme will continue to be exercisable and valid. The terms and conditions of the New Share Option Scheme including those governing the mode of exercise of an Option will continue in full force and effect with the exception that no further Option will be granted. Subject to the aforesaid, the New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the day on which the New Share Option Scheme becomes effective, after which period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects.

(V) RIGHTS ARE PERSONAL TO THE GRANTEE

An Option is personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any Option which has not become exercisable or part thereof granted to such Grantee.

(W) LAPSE OF OPTION

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

1. the expiry of the period referred to in paragraph (F);
2. the expiry of the periods or dates referred to in paragraphs (L), (M), (N), (O) and (S);
3. subject to paragraph (Q) above, the date of the commencement of the winding up of the Company;
4. the date on which the offer (or, as the case may be, the revised offer) referred to in paragraph (P) closes; and
5. the date on which a breach of the provision of paragraph (V) is committed.

(X) ALTERATIONS TO THE NEW SHARE OPTION SCHEME

The New Share Option Scheme may be altered in any respect relating to (i) matters set out in Rule 17.03 of the Listing Rules to the advantage of Eligible Participants; (ii) the terms and conditions of the New Share Option Scheme which are of a material nature except where such alterations take effect automatically under the existing terms of the New Share Option Scheme; or (iii) any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the New Share Option Scheme shall not be made except with the prior approval of the Shareholders in general meeting at which any persons to whom he and their respective Associates (as defined in the Listing Rules) shall abstain from voting in accordance with the requirements of the Listing Rules, if applicable.

The terms of the Share Option Scheme must comply with the relevant requirements of Chapter 17 of the Listing Rules.

The emoluments of all the executive Directors are recommended by the remuneration committee of the Company and are based on the working experience, skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as the remuneration benchmark in the industry and the prevailing market conditions. The emoluments of all the independent non-executive Directors are based on their working experience, professional skill and knowledge.

The following are the details of the Directors eligible proposed to be re-elected at the AGM:

Executive Directors

Mr. Huang Zemin, aged 49, an executive Director of the Company. Mr. Huang graduated with a university professional certificate (大學專科) in law from Sichuan Radio and TV University (四川廣播電視大學) in 1988. He worked in a subsidiary of the Company from 2002 to 2005 and was responsible for sale of products. He re-joined the Group in April 2008. He is currently the chairman, director and corporate representative (法人代表) of Sichuan Hengtai Pharmaceutical Company Limited, a wholly-owned subsidiary of the Company. He worked for China Pharmaceutical Company, Southwest branch (中國醫藥公司西南分公司) for around 5 years. He is the brother of Mr. Huang Jianming, a former executive Director, the former chief executive officer of the Company, and a shareholder as well as a director of Perfect Develop Holding Inc. (a substantial shareholder of the Company). He was appointed as an executive Director in November 2009.

Save as disclosed above, as at the Latest Practicable Date, Mr. Huang did not have any other relationships with any directors, members of senior management, substantial shareholders or controlling shareholders of the Company and Mr. Huang did not hold any directorship in other listed companies in the past three years and position in the Group. As at the Latest Practicable Date, Mr. Huang is not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Huang is entitled to a basic monthly salary of HK\$33,000 and has entered into a service agreement with the Company for an initial term of two years and will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. His remuneration will be recommended by remuneration committee of the Company and are based on the working experience, skill, knowledge and involvement in the Company's affairs, and the Company's performance and profitability, and a discretionary management bonus provided that the aggregate amount of the bonuses payable to all executive Directors for any financial year of the Company may not exceed 10% of the audited consolidated profit attributable to the Shareholders of the Company in respect of that financial year. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Huang required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Chen Zhiyu, aged 48, an executive Director and the chief executive officer of the Company. Mr. Chen graduated with a bachelor degree in Science from Southwest China Normal College (西南師範學院) (presently known as Southwest University) in 1982 and a master degree in Economics from Southwestern University of Finance and Economics (西南財經大學) in 1990. Mr. Chen has over 9 years of experience in pharmaceutical industry. He was the general manager of Beijing Xianmai Pharmaceutical Company Limited (北京先邁醫藥有限公司) from 2000 to 2002, and the general manager and chairman of Guangdong Suntop Pharmaceutical Co., Ltd. (廣東信東醫藥有限公司) from 2003 to October 2009. As at the Latest Practicable Date, Mr. Chen still has approximately 52% shareholding in Guangdong Suntop Pharmaceutical Co., Ltd. He joined the Group and was appointed as an executive Director and chief executive officer of the Company on 11 November 2009.

Save as disclosed, as at the Latest Practicable Date, Mr. Chen did not have any other relationships with any directors, members of senior management, substantial shareholders or controlling shareholders of the Company and Mr. Chen did not hold any directorship in other listed companies in the past three years and position in the Group. As at the Latest Practicable Date, Mr. Chen holds 26,666 Shares in the Company.

Mr. Chen is entitled to a basic monthly salary of HK\$33,000 and has entered into a service agreement with the Company for an initial term of two years and will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. His remuneration will be recommended by remuneration committee of the Company and are based on the working experience, skill, knowledge and involvement in the Company's affairs, and the Company's performance and profitability, and a discretionary management bonus provided that the aggregate amount of the bonuses payable to all executive Directors for any financial year of the Company may not exceed 10% of the audited consolidated profit attributable to the Shareholders of the Company in respect of that financial year. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Chen required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Li Ke, aged 48, an executive Director of the Company. Mr. Li graduated with a bachelor degree in medicine from Sichuan Medical Institute (四川醫學院) in

1982. He has over 10 years of experience in pharmaceutical industry and 8 years of experience in real estate industry. Mr. Li was a technician in Fourth Sichuan Chengdu Pharmaceutical Factory (四川成都制藥四廠) from 1982 to 1987. He worked with 999 Group (三九企業集團) from 1994 to 2006, as a deputy manager of development department, general manager of Yaan Sanjiu Pharmaceutical Co., Ltd. (雅安三九藥業有限公司) and general manager of Chengdu Sanjiu Investment Management Co., Ltd. (成都三九投資管理有限公司). He joined the Group and was appointed as an executive director in November 2009.

Save as disclosed, as at the Latest Practicable Date, Mr. Li did not have any other relationships with any directors, members of senior management, substantial shareholders or controlling shareholders of the Company and Mr. Li did not hold any directorship in other listed companies in the past three years and position in the Group. As at the Latest Practicable Date, Mr. Li is not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Li is entitled to a basic monthly salary of HK\$33,000 and has entered into a service agreement with the Company for an initial term of two years and will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. His remuneration will be recommended by remuneration committee of the Company and are based on the working experience, skill, knowledge and involvement in the Company's affairs, and the Company's performance and profitability, and a discretionary management bonus provided that the aggregate amount of the bonuses payable to all executive Directors for any financial year of the Company may not exceed 10% of the audited consolidated profit attributable to the shareholders of the Company in respect of that financial year. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Li required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Ms. Guo Lin, aged 46, an executive Director and member of remuneration committee of the Company, and the vice president of the Group. She is also the director of Vital Pharmaceuticals (Sichuan) Co. Ltd., a subsidiary of the Company. Ms. Guo holds a bachelor degree in economics from Hunan Finance and Economics Institute in 1984 and a master degree from Zhongnan Industrial University in 1993. She was a lecturer in Hunan Finance and Economics Institute and Zhongnan Industrial University and also worked as a manager of an investment bank. Ms. Guo joined the Group in 2001. She was appointed as an executive Director in January 2008.

Save as disclosed, as at the Latest Practicable Date, Ms. Guo did not have any other relationships with any directors, members of senior management, substantial shareholders or controlling shareholders of the Company and Ms. Guo did not hold any directorship in other listed companies in the past three years and position in the Group. As at the Latest Practicable Date, Ms. Guo is interested in 11,500,000 share options granted under the share option scheme within the meaning of Part XV of the SFO.

Ms. Guo is entitled to a basic monthly salary of HK\$33,000 and has entered into a service agreement with the Company for an initial term of two years and will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. Her remuneration will be recommended by remuneration committee of the Company and are based on the working experience, skill, knowledge and involvement in the Company's affairs, and the Company's performance and profitability, and a discretionary management bonus provided that the aggregate amount of the bonuses payable to all executive Directors for any financial year of the Company may not exceed 10% of the audited consolidated profit attributable to the shareholders of the Company in respect of that financial year. She, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Ms. Guo required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Independent non-executive Directors

Mr. Lui Tin Nang, aged 52, an independent non-executive Director, chairman of audit committee and member of remuneration committee of the company. He is a qualified accountant. Mr. Lui obtained a bachelor degree in science from the University of Leeds and a master degree in business administration from the University of Bradford in United Kingdom. Mr. Lui is a FCPA (Practicing) of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Institute of Management Accountant. He has years of experience in accounting, auditing, taxation and corporate finance. Mr. Lui was appointed as an independent non-executive Director since July 2002. He is currently the independent non-executive director of China Bio-Med Regeneration Technology Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, CT Holdings (International) Limited and National Investments Fund Limited, companies listed on the main board of the Stock Exchange. Mr. Lui was the former independent non-executive director of China Pipe Group Limited, a company listed on the main board of the Stock Exchange. Save as aforesaid, Mr. Lui had not held any directorships in other listed companies in the past three years.

Save as disclosed, as at the Latest Practicable Date, Mr. Lui did not have any other relationships with any directors, members of senior management, substantial shareholders or controlling shareholders of the Company and Mr. Lui did not hold any directorship in other listed companies in the past three years and position in the Group. As at the Latest Practicable Date, Mr. Lui was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Lui entered into a contract of service with the Company commencing on 1 January 2010 for a term of two years and will be subject to retirement by rotation and re-election at least once every three years at annual general meeting of the Company. Mr. Lui is entitled to an annual director's fee of HK\$120,000. His remuneration will be recommended by remuneration committee of the Company and are based on the working experience, professional skill and knowledge. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Lui required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Chong Cha Hwa, aged 43, an independent non-executive director and member of audit committee and remuneration committee of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He has obtained a bachelor degree in management with honours from the University of Science, Malaysia. Prior to joining the Company, Mr. Chong has gained more than 14 years of experience in the accounting and finance area servicing private and public listed companies in Hong Kong and the Southern Asia region. Mr. Chong was appointed as an independent non-executive director of the Company since October 2006. He is currently an independent non-executive director of Longlife Group Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He was the former independent non-executive director of China Railway Logistics Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He was also the former qualified accountant and the company secretary of Shanghai Jiaoda Withub Information Industrial Company Limited, and former company secretary of Big Media Group Limited, both companies are listed on the Growth Enterprise Market of the Stock Exchange.

Save as disclosed, as at the Latest Practicable Date, Mr. Chong did not have any other relationships with any directors, members of senior management, substantial shareholders or controlling shareholders of the Company and Mr. Chong did not hold any directorship in other listed companies in the past three years and position in the Group. As at the Latest Practicable Date, Mr. Chong is interested in 1,500,000 share options granted under the share option scheme within the meaning of Part XV of the SFO.

Mr. Chong entered into a contract of service with the Company commencing on 19 October 2008 for a term of two years and will be subject to retirement by rotation and re-election at least once every three years at annual general meeting of the Company. Mr. Chong is entitled to an annual director's fee of HK\$120,000. His remuneration will be recommended by remuneration committee of the Company and are based on the working experience, professional skill and knowledge. He, together with other executive Directors and independent non-executive Directors, is entitled to a discretionary share based payment, provided that the amount of share based payment may not exceed the individual limit set out in the share option scheme.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Chong required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING



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

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

NOTICE IS HEREBY GIVEN that the annual general meeting of Vital Pharmaceutical Holdings Limited (the “**Company**”) will be held at Caine Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 2 June 2010 (Wednesday) at 11:00 a.m. for the following purposes:

AS ORDINARY RESOLUTIONS

1. To consider and adopt the audited consolidated financial statements for the year ended 31 December 2009 and the reports of the directors (the “**Directors**”) and the auditors of the Company for the year ended 31 December 2009.
2.
 - (a) To re-elect Mr. Chen Zhiyu as an executive director of the Company.
 - (b) To re-elect Mr. Huang Zemin as an executive director of the Company.
 - (c) To re-elect Mr. Li Ke as an executive director of the Company.
 - (d) To re-elect Ms. Guo Lin as an executive director of the Company.
 - (e) To re-elect Mr. Lui Tin Nang as an independent non-executive director of the Company.
 - (f) To re-elect Mr. Chong Cha Hwa as an independent non-executive director of the Company.
 - (g) To authorise the board of Directors to fix the remuneration of the Directors.
3. To re-appoint the Auditors of the Company and to authorise the board of Directors to fix their remuneration.

As special businesses, to consider, and if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

4. “**THAT:**
 - (a) subject to paragraph (b), pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing**”

NOTICE OF ANNUAL GENERAL MEETING

Rules”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make, issue or grant offers, agreements and options and other rights, or issue warrants and other securities including bonds, debentures, and notes convertible into shares of the Company, which will or might require the shares of the Company to be allotted, issued or disposed of during or after the end of the Relevant Period be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) the exercise of the subscription rights granted under the share option scheme of the Company or (iii) an issue of shares as scrip dividends pursuant to the memorandum and articles of association of the Company from time to time shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of the Cayman Islands to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares for a period fixed by the Directors to holders of shares of the Company thereon on the register of members on a fixed record date in proportion to their then holding of such shares thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory applicable to the Company).”

NOTICE OF ANNUAL GENERAL MEETING

5. **“THAT**
- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares, subject to and in accordance with all other applicable laws in this regard, be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of shares of the Company which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed ten percent (10%) of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the authority pursuant to paragraph (a) above of this Resolution shall be limited accordingly; and
 - (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law of the Cayman Islands to be held; and
 - (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
6. **“THAT** conditional upon resolutions numbered 4 and 5 above being passed, the general mandate granted to the Directors to allot, issue and deal with any additional shares of the Company be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the number of shares in the capital of the Company that are repurchased by the Company under the authority granted to the Directors as mentioned in ordinary resolution no.5 above to purchase such shares, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

7. (a) “**THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting approval of the share option scheme of the Company (the “**Share Option Scheme**”), the rules of the Share Option Scheme are contained in the document marked “**A**” produced to the meeting and for the purposes of identification signed by the Chairman thereof, and the granting of any options thereunder and the listing of and permission to deal in the shares (the “**Shares**”) to be issued pursuant to the exercise of any such options, the Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme including but without limitation:
- (i) to administer the Share Option Scheme under which options will be granted to participants eligible under the Share Option Scheme to subscribe for Shares;
 - (ii) to modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment;
 - (iii) to issue and allot from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme provided always that the total number of Shares subject to the Share Option Scheme, when aggregated with any Shares subject to any other share option schemes, shall not exceed ten percent (10%) of the relevant class of the issued share capital of the Company as at the date of passing this Resolution (excluding any Shares of the Company issued upon exercise of the Options granted pursuant to the Share Option Scheme), but the Company may seek approval of its shareholders in general meeting for refreshing the ten percent (10%) limit under the Share Option Scheme and the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed thirty percent (30%) of the relevant class of the issued share capital of the Company from time to time;
 - (iv) to make applicant at the appropriate time or times to the Stock Exchange; and any other stock exchanges upon which the issued Shares of the Company may for the time being be listed, for listing of and permission to deal in any Shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the Share Option Scheme; and

NOTICE OF ANNUAL GENERAL MEETING

- (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as maybe required or imposed by the relevant authorities in relation to the Share Option Scheme.
- (b) the existing share option scheme of the Company and its subsidiaries which was adopted by the shareholders at the extraordinary general meeting of the Company on 23 July 2003 be and is hereby terminated with immediate effect.”

As special businesses, to consider, and if thought fit, pass the following resolution as a special resolution:

SPECIAL RESOLUTION

8. The name of the Company be changed from “Vital Pharmaceutical Holdings Limited 維奧醫藥控股有限公司” to “Vital Group Holdings Limited 維奧集團控股有限公司” and the directors of the Company be and are hereby authorised for and on behalf of the Company to do all such acts, execute all such documents and deeds as they may in their discretion consider necessary or desirable to carry out the foregoing into effect.

By Order of the Board of
Vital Pharmaceutical Holdings Limited
Leung Wai Pong
Company Secretary

Hong Kong, 27 April 2010

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal office
in Hong Kong:*
Unit 7, 31st Floor, Tower 1
Lippo Centre, 89 Queensway,
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, in the event of a poll, to vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and together with the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company’s Hong Kong branch share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof.
2. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the annual general meeting or any adjournment thereof, should he/she so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF ANNUAL GENERAL MEETING

3. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. For the purpose of determining the Shareholders who are entitled to attend and vote at the meeting convened by the above notice, the Register of Members of the Company will be closed for a period commencing from 27 May 2010 to 2 June 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 26 May 2010.
5. In relation to the proposed resolution nos. 4 and 6 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Directors has no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
6. In relation to the proposed Resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in Appendix I to this circular.
7. As at the date of this notice, the executive Directors are Mr. Xu Xiaofan, Mr. Chen Zhiyu, Madam Guo Lin, Mr. Huang Zemin, Mr. Li Ke and Mr. Liu James Jin; the independent non-executive Directors are Mr. Lee Kwong Yiu, Mr. Lui Tin Nang and Mr. Chong Cha Hwa.