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If you have sold or transferred all your shares in **Vital Group 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 or transfer was effected, for transmission to the purchaser or transferee.

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

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

**CONTINUING CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of Vital Group Holdings Limited**



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the Board is set out on pages 5 to 14 of this circular.

A letter from the Independent Board Committee is set out on page 15 of this circular.

A letter from Guangdong Securities Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 27 of this circular.

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 28 November 2011 (Monday) at 10:30 a.m. is set out on pages 32 to 33 of this circular. Whether or not you are able to attend the EGM 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, 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

11 November 2011

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 21 October 2011 in relation to the Framework Agreement and the transaction contemplated thereunder and the proposed Annual Cap Amounts
“Annual Cap Amount(s)”	the maximum aggregate annual transaction amount(s) for the transaction contemplated under the Framework Agreement for each of the three years ending 31 December 2013
“associates”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CGNPC”	中國廣東核電集團有限公司 (China Guangdong Nuclear Power Holding Corporation*), the sole shareholder of CGNPC-URC and the ultimate controller of the Company
“CGNPC-URC”	中廣核鈾業發展有限公司 (CGNPC Uranium Resources Co., Ltd.*), a company established in the PRC with limited liability and the sole shareholder of China Uranium Development
“China Uranium Development”	China Uranium Development Company Limited 中國鈾業發展有限公司, the controlling shareholder of the Company, holding approximately 50.11% equity interest in the Company as at the Latest Practicable Date
“Company”	Vital Group Holdings Limited 維奧集團控股有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1164)
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Continuing Connected Transaction(s)”	the continuing connected transaction(s) contemplated under the Framework Agreement
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules
“Convertible Bonds”	convertible bonds with a principal amount of HK\$600,000,000 issued by the Company to China Uranium Development, convertible into 2,608,695,652 Shares upon the exercise of the conversion rights attaching thereto
“Delivery”	the delivery of the ordered quantity of Natural Uranium in the form of U ₃ O ₈

DEFINITIONS

“Directors”	the directors of the Company, including the independent non-executive directors
“Effective Date”	the date on which the Framework Agreement takes effect
“Effective Period”	the effective period of the Framework Agreement commencing from the Effective Date and ending on 31 December 2013 (both days inclusive)
“EGM”	the extraordinary general meeting of the Company to be convened and held at 10:30 a.m. on 28 November 2011, Monday, at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong for approving, among other matters, the Framework Agreement and the transaction contemplated thereunder and the proposed Annual Cap Amounts
“End Users”	end users of Natural Uranium, including but not limited to Guangxi Fangchenggang Company and Yangjiang Company
“Framework Agreement”	the framework agreement dated 21 October 2011 entered into between the Company and CGNPC-URC in relation to the sale of Natural Uranium by the Group to CGNPC-URC
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transaction and the proposed Annual Cap Amounts
“Guangxi Fangchenggang Company”	廣西防城港核電有限公司 (Guangxi Fangchenggang Nuclear Power Co., Ltd.*)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board consisting of all the independent non-executive Directors, established to advise the Independent Shareholders on the Continued Connected Transaction and the proposed Annual Cap Amounts
“Independent Shareholders”	Shareholders other than China Uranium Development and its associates

DEFINITIONS

“Latest Practicable Date”	9 November 2011, being the latest practicable date prior to the printing of the circular for ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Natural Uranium”	uranium ore concentrates in the form of U ₃ O ₈ with isotopic assay as it occurs in nature and has not been altered (i.e. which had neither been enriched, depleted nor irradiated)
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong and Macau Special Administrative Region of the PRC and Taiwan
“PSI Announcement”	the announcement of the Company in relation to the price sensitive information and profit warning dated 4 August 2011
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning as ascribed to it under the Listing Rules
“TradeTech”	TradeTech of Denver Tech Centre
“U ₃ O ₈ ”	Natural Uranium (not previously irradiated and containing not less than the nominal 0.711 weight percent ²³⁵ U). The U ₃ O ₈ shall conform to the latest version of the ASTM International’s “Standard Specification for Uranium Ore Concentrate” (ASTM C967) at the time of Delivery (i.e. currently ASTM C967-08)
“UxC”	The Ux Consulting Company, LLC
“Vital Pharmaceuticals (Sichuan) Disposal Announcement”	the announcement dated 16 August 2011 in relation to the disposal of the entity 四川維奧製藥有限公司 (Vital Pharmaceuticals (Sichuan) Co., Ltd*) after completion of the Split (as defined therein)

DEFINITIONS

“Yangjiang Company” 陽江核電有限公司 (Yangjiang Nuclear Power Co., Ltd.*)

“%” per cent

* *For identification purposes only*

LETTER FROM THE BOARD



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

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

Executive Directors :

Mr. He Zuyuan (*Chief Executive Officer*)
Mr. Li Zhengguang

Non-Executive Directors:

Mr. Yu Zhiping (*Chairman*)
Mr. Wei Qiyang
Ms. Zheng Xiaowei
Mr. Chen Zhiyu

Independent Non-Executive Directors:

Mr. Ling Bing
Mr. Qiu Xianhong
Mr. Huang Jinsong

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

11 November 2011

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement.

On 21 October 2011 (after trading hours), the Company and CGNPC-URC entered into the Framework Agreement in relation to the sale of Natural Uranium by the Group to CGNPC-URC during the Effective Period. The transaction contemplated under the Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios on an annual basis is more than 5%, the Continuing Connected Transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide further details in respect of, among other things, (i) the Continuing Connected Transaction and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its recommendation in connection with the Continuing Connected Transaction and the proposed Annual Cap Amounts to the Independent Shareholders; (iii) a

LETTER FROM THE BOARD

letter from Guangdong Securities setting out its advice in connection with the Continuing Connected Transaction and the proposed Annual Cap Amounts to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM.

CONTINUING CONNECTED TRANSACTION

On 21 October 2011 (after trading hours), the Company and CGNPC-URC entered into the Framework Agreement in relation to the sale of Natural Uranium by the Group to CGNPC-URC during the Effective Period.

Set out below a summary of the terms of the Framework Agreement:

Date

21 October 2011

Parties

- (1) The Company, as seller; and
- (2) CGNPC-URC, as purchaser.

As at the Latest Practicable Date, CGNPC-URC is the sole shareholder of China Uranium Development, the controlling shareholder of the Company, which holds approximately 50.11% equity interest in the Company. CGNPC-URC is therefore a connected person of the Company under the Listing Rules.

Subject Matter

Pursuant to the Framework Agreement:

- (i) The Group has agreed to sell and CGNPC-URC has agreed to purchase and purchase on behalf of certain End Users certain amount of Natural Uranium during the Effective Period;
- (ii) CGNPC-URC is the sole natural uranium supplier of CGNPC. CGNPC-URC shall exclusively source from the Group the entire amount of Natural Uranium demanded by Guangxi Fangchenggang Company and Yangjiang Company during the Effective Period; and
- (iii) The Group shall have the first right of refusal to supply Natural Uranium demanded by other existing or potential uranium clients of CGNPC-URC or CGNPC-URC itself during the Effective Period.

Conditions Precedent and Term

The Framework Agreement shall become effective upon the approval by the Independent Shareholders with respect to the Framework Agreement and the Continuing Connected Transaction at the EGM. The Framework Agreement shall take effect from the Effective Date to 31 December 2013 (both days inclusive).

LETTER FROM THE BOARD

Prices of Natural Uranium and Payment Terms

The price per pound of Natural Uranium shall be determined with reference to the one-month, three-month, six-month, twelve-month arithmetic average prices of both the spot price index and long-term price index published weekly or monthly by the UxC and TradeTech and the rational price expectation of the Group and CGNPC-URC.

Information on UxC and TradeTech

UxC is one of the nuclear industry's leading consulting companies. They offer a wide range of services spanning the full fuel cycle with special focus on market-related issues. UxC was founded in March 1994 as an affiliate of The Uranium Exchange Company (Ux), in order to extend and provide greater focus to Ux's consulting and information services capabilities. UxC has taken over these functions and now publishes the Ux Weekly® and Market Outlook reports on uranium, enrichment, conversion, and fabrication as well as publishing the industry standard Ux Prices, which are used as references in many fuel contracts. While publications are an important part of UxC's services, UxC is foremost a traditional consulting firm providing a vast array of custom consulting services. In addition, UxC also prepares special reports on key topics of interest, as well as provides data services, such as nuclear fuel price indicator reporting, including support for the New York Mercantile Exchange (NYMEX) uranium futures contract. Given its industry experience, strong analytical skills, comprehensive data, and its team of external consultants, UxC is poised to provide the most complete consulting and information services in the nuclear fuel industry and related nuclear power sectors.

TradeTech, along with its predecessor companies — NUEXCO Information Services, CONCORD Information Services, and CONCORD Trading Company — has supported the uranium and nuclear fuel cycle industry for more than 40 years, and is widely recognized for its expertise in trading activities and its comprehensive knowledge of the technical, economic, and political factors affecting this industry. TradeTech provides independent market consulting services, and maintains an extensive information database on the international nuclear fuel market.

TradeTech provides the following publications and consulting services:

- (a) Nuclear Market Review, a weekly and month-end publication that reports TradeTech's monthly spot and term market price indicators, nuclear fuel market transactions and activity, and industry news;
- (b) The Nuclear Review, a monthly magazine that reviews and provides commentary on events affecting the nuclear fuel markets, including timely feature articles, analysis articles, and industry data;
- (c) specialized reports that analyze uranium market prices and cost trends, uranium conversion and enrichment services;
- (d) forecast of uranium supply and demand; and
- (e) customized consulting services related to the international nuclear fuel market.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of UxC and TradeTech and their respective subsidiaries are third parties independent of the Group, CGNPC and its subsidiaries and CGNPC-URC.

The prices published by UxC and TradeTech to determine prices of Natural Uranium are market practices commonly used by companies sourcing for Natural Uranium. The Board considers that UxC and TradeTech can provide reliable sources of information for price references and consider that the prices references are fair and reasonable.

In any event, the price per pound of Natural Uranium offered to CGNPC-URC by the Group shall not be lower than that offered to any independent third parties.

The consideration of Natural Uranium being purchased shall be settled by CGNPC-URC via wire transfer within 30 calendar days upon completion of each Delivery or a date to be agreed by the Company and CGNPC-URC.

Proposed Annual Cap Amounts

The following table sets out the proposed Annual Cap Amounts in respect of the Continuing Connected Transaction for each of the three years ending 31 December 2013:

From the Effective Date to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
HK\$522,600,000	HK\$2,246,400,000	HK\$3,463,200,000

The proposed Annual Cap Amounts are determined by taking into account of the following factors: (i) the anticipated demand of Natural Uranium from the End Users, including Guangxi Fangchenggang Company and Yangjiang Company; (ii) historical trading volume of CGNPC-URC; (iii) historical prices and possible price fluctuations in Natural Uranium.

REASONS FOR, AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

The Group's principal business used to be selling, distributing and manufacturing of pharmaceutical and food products and property investment. The Group has repositioned itself as a platform for uranium resources investment and trading after the successful completion of China Uranium Development's subscription of 1,670,000,000 Shares and the Convertible Bonds on 18 August 2011.

As mentioned in the Company's circular dated 23 May 2011, the Group intends to leverage on the background and expertise of China Uranium Development in the uranium industry to explore business development and investment opportunities. Given that CGNPC-URC is one of the few enterprises in the PRC which owns the licence(s) to manage nuclear fuels and deal with the import and export of Natural Uranium, coupled with the facts that the Group, by entering into the Framework Agreement, will indirectly become natural uranium supplier of certain larger and famous End Users (including Guangxi Fangchenggang Company and Yangjiang Company), the Board believes that the Continuing Connected Transaction is able to diversify the Group's business and broaden the Group's income sources as well as to assist in developing the Group's expertise and experience in the uranium industry and enhance the Group's competitiveness in the future.

LETTER FROM THE BOARD

As disclosed in the Framework Agreement, CGNPC-URC is the sole natural uranium supplier of CGNPC. CGNPC-URC shall exclusively source from the Group the entire amount of Natural Uranium demanded by certain End Users, Guangxi Fangchenggang Company and Yangjiang Company during the Effective Period. In other words, CGNPC-URC is the only customer to the Group in the Continuing Connected Transactions. In the event that the demand from CGNPC-URC for Natural Uranium drops, this may affect the source of income arising from the Continuing Connected Transactions.

As disclosed above, the Group has repositioned itself as a platform for uranium resources investment. Uranium resources investment is a new business to the Group and more resources, for example, human resources, have to be allocated to develop Natural Uranium trading industry. At the same time, the Group is still conducting its existing pharmaceutical and food business. The Group may have the need to employ more and suitable personnel for the Group's business development.

As at the Latest Practicable Date, the Group is still conducting other existing pharmaceutical and food business (excluding Osteoform Calcium Food). Since the food hygiene license of Osteoform Calcium Food will be expiring soon and it is difficult to obtain its renewal, the production of Osteoform Calcium Food has been stopped. Currently, the Group is accelerating the sales of the inventory of Osteoform Calcium Food and is searching for the best solution. The size of other existing pharmaceutical and food business is relatively small, and does not attribute for a large portion of the Group's turnover. For the six months ended 30 June 2011, the turnover of existing pharmaceutical and food business (excluding Osteoform Calcium Food) contributes approximately 36% of the total turnover of the Group for the six months ended 30 June 2011 (on an unaudited basis).

As disclosed above, in view of the new business of engaging in Natural Uranium trading industry, a new department has been set up and sufficient amount of experts have been engaged to be responsible for this new business segment. The Directors consider that the number of experts for this department is able to conduct the Continuing Connected Transactions. If necessary and required, the Group will consider engaging more experts in Natural Uranium trading industry to ensure that this new business sector can be operated smoothly. For existing pharmaceutical and food business, the Directors consider that at present, there is a sufficient number of staff for the business.

As at the Latest Practicable Date, the Company has a preliminary intention to scale down its existing pharmaceutical and food business, but no concrete plan has been formulated. As at the Latest Practicable Date, the Company has no intention to dispose of its existing pharmaceutical and food business.

The terms and conditions of the Framework Agreement were determined after arm's length negotiations between the parties thereto. The Directors consider that the entering into of the Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group and the proposed Annual Cap Amounts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Operation Flow

The operation flow of the Continuing Connected Transactions is as follows:

- (a) a sales agreement is signed between the Group and CGNPC-URC setting out the quantity, payment method and place of delivery etc.;
- (b) after signing the sales agreement, the Group then enters into a supply agreement with an overseas supplier of Natural Uranium. The supply agreement would specify the designated place of delivery (normally a port in the PRC). Natural Uranium will be received by CGNPC-URC;
- (c) when such Natural Uranium is delivered to a port and received by CGNPC-URC, CGNPC-URC will be responsible for customs clearance and arrange to deliver to the End Users; and
- (d) CGNPC-URC arranges to settle payment to the Group and the Group will then arrange payment to that relevant Natural Uranium supplier.

The Company can use various methods (including long term trading and existing product trading) to source for the supply of Natural Uranium from various overseas suppliers. The Directors consider that the risk of not obtaining enough supply of Natural Uranium from overseas suppliers is very slim and remote.

United States Dollars are used to settle payment of Natural Uranium as a market practice. As there is linked exchange rate between United States Dollars and HK\$, the Group does not need to bear currency risk. As disclosed above, under normal circumstances, the Group will pay to overseas suppliers after receiving payment from CGNPC-URC. The Group foresees that under normal circumstances, the Group does not need to bear credit risk. The Group will work with CGNPC-URC closely on settlement of payment.

As disclosed above, the Group will settle the payment to overseas suppliers after receiving payment from CGNPC-URC. Therefore, there is no necessity for capital requirement for the Group in order to conduct the Continuing Connected Transactions.

Licences Required

As Natural Uranium is not intended to be imported or exported from Hong Kong, there is no requirement for the Company to obtain any licence to conduct the Continuing Connected Transactions. When Natural Uranium is imported to the ports in the PRC, the relevant buyer needs to have a licence for importing Natural Uranium. CGNPC-URC possesses such licence and is responsible to obtain customs clearance in the PRC. The Company is not required to obtain such licence under the PRC law.

Management

The Company has set up a natural uranium department and is led by a deputy managing director. Most of the senior staff in this department has been engaged in Natural Uranium trading industry for more than 10 years and are experts in Natural Uranium industry. They are responsible for handling matters arising from the Continuing Connected Transactions.

LETTER FROM THE BOARD

Risks associated with the Continuing Connected Transactions

Set out below are the risk factors which may be associated with the Continuing Connected Transactions:

Fluctuation in the price and demand of Natural Uranium

The price of Natural Uranium is influenced by the demand and supply of Natural Uranium in the international market. The Directors consider that there are many factors which may influence the price and demand of Natural Uranium in the international market, including but not limited to the stability of supply of Natural Uranium, demand for energy by corporations and households, which are beyond the control of the Group.

Uncertainties in demand from the End Users

There may be uncertainties in demand for Natural Uranium from the End Users as there may be change in demand for nuclear power as a result of inherent risks involved in using nuclear power. The Directors will closely communicate with CGNPC-URC to ensure that CGNPC-URC will place sufficient amount of orders to purchase Natural Uranium from the Group.

The PRC government regulations on nuclear power industry

The nuclear power industry is subject to various government policies and regulations, including but not limited to development, production, taxation, construction of nuclear power plants, environment monitoring, operation management and other issues. Any changes to those policies may affect the demand for Natural Uranium which in turn may affect the operating results arising from the Continuing Connected Transactions.

Reliance on a single customer

Nuclear power industry is an industry which requires huge amount of capital investment and expertise. In the PRC, there are not many companies engaging in the nuclear power industry. According to the Framework Agreement, there will be only a customer, CGNPC-URC. As the Continuing Connected Transactions will be a relatively important source of revenue to the Group, too much reliance on a single customer may impose risks to the future development of the Group. As disclosed above, the Group will closely communicate with CGNPC-URC to ensure that CGNPC-URC will place sufficient amount of order to buy Natural Uranium from the Group.

Operational Risks

Natural Uranium trading industry is an industry which requires high level of expertise. The Group has established a department and has sufficient amount of experts to conduct the Continuing Connected Transactions. In the unlikely event that there is any loss to these experts, there may be some negative impact on the operations of the Continuing Connected Transactions. The Directors will continuously ensure that sufficient amount of experts can be recruited for its continuous operation of the Continuing Connected Transactions.

LETTER FROM THE BOARD

Information on CGNPC

CGNPC is a large scale clean energy corporation under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council and is a state-owned enterprise. CGNPC was established in September 1994 with a registered capital of RMB10.2 billion.

CGNPC and its subsidiaries (“**CGNPC Group**”) are engaged in nuclear energy production, energy-related technology development, nuclear fuel supply, and the construction of plants and development of technology relating to renewable energy, such as wind power, hydro-electric power and solar energy. In PRC, the CGNPC Group has six national nuclear energy research and development centers, undertakes more than half of the nation’s electricity plant construction works and controls more than half of the nation’s nuclear electricity plants operation. CGNPC is not listed in any stock exchange.

Information on CGNPC-URC

As mentioned above, CGNPC-URC is the sole shareholder of China Uranium Development, the controlling shareholder of the Company, which holds approximately 50.11% equity interest in the Company. It is one of the few enterprises in the PRC which owns the licence(s) to manage nuclear fuels and deal with the import and export of natural uranium. The core business of CGNPC-URC are to: (i) manage the supply of nuclear fuels for CGNPC; (ii) establish an interest in and support development of commercial resources and reserves of Natural Uranium; and (iii) deal with the import and export trade of the PRC and overseas Natural Uranium and related products.

Information on Guangxi Fangchenggang Company

Guangxi Fangchenggang Company is a non wholly-owned subsidiary of CGNPC. Guangxi Fangchenggang Company was established in September 2008. The total investment amount of Guangxi Fangchenggang Company is approximately RMB70 billion. The nuclear power plant project to be operated by Guangxi Fangchenggang Company is a flagship development project to CGNPC and is important to secure the source of power supply to Guangxi Zhuang Autonomous Region, especially northern part of Guangxi Zhuang Autonomous Region. The nuclear power plant is expected to start commercial operation in August 2014. Guangxi Fangchenggang Company is not listed in any stock exchange.

Information on Yangjiang Company

Yangjiang Company is a non wholly-owned subsidiary of CGNPC. It was established in the PRC in February 2005 and is primarily responsible for the construction, operation and management of the nuclear power plant in Yangjiang. The total investment amount of Yangjiang Company is approximately RMB70 billion. Six nuclear reactors will be consecutively constructed. Yangjiang Company owns the largest nuclear power plant stations in the PRC, in terms of number of nuclear reactors and size. The nuclear power plants operated by Yangjiang Company are regarded as a key energy supply project of “Eleventh Five-Year Guideline” promulgated by the PRC Government. Yangjiang Company is not listed in any stock exchange.

LETTER FROM THE BOARD

Listing Rules Implications

CGNPC-URC is a connected person of the Company and therefore the transaction contemplated under the Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios on an annual basis is more than 5% and the annual consideration is more than HK\$10,000,000, the Continuing Connected Transaction is non-exempt continuing connected transaction on the part of the Company pursuant to Chapter 14A of the Listing Rules and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. He Zuyuan, an executive Director and chief executive officer of the Company, Mr. Yu Zhiping, a non-executive Director and chairman of the Company, Ms. Zheng Xiaowei and Mr. Wei Qiyang, both non-executive Directors, have abstained from voting to approve the Framework Agreement in the Board meeting due to the fact that they are the directors of China Uranium Development and/or the senior management of CGNPC-URC and are regarded as not independent to make any recommendation to the Board.

Independent Board Committee

The Independent Board Committee consisting of Mr. Ling Bing, Mr. Qiu Xianhong and Mr. Huang Jinsong, being the independent non-executive Directors, has been formed to (i) advise the Independent Shareholders as to the fairness and reasonableness of the Continuing Connected Transaction and the transactions contemplated thereunder and the proposed Annual Cap Amounts, and whether such transactions are in the interest of the Company and its Shareholders as a whole and (ii) advise the Independent Shareholders on how to vote in respect of such transactions taking into account the recommendations of Guangdong Securities.

Guangdong Securities was appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transaction and the transactions contemplated thereunder and the proposed Annual Cap Amounts. The letter from Guangdong Securities setting out its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 27 of this circular.

EGM

A notice of the EGM which will be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 28 November 2011 (Monday) at 10:30 a.m. is set out on pages 32 to 33 of this circular. Ordinary resolutions will be proposed at the EGM to seek for the Independent Shareholders' approval for the Framework Agreement and the transaction contemplated thereunder and the proposed Annual Cap Amounts.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours

LETTER FROM THE BOARD

before the time appointed for holding the EGM or any adjournment thereof (as the case maybe). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case maybe) should you so wish.

China Uranium Development and its associates, which have interests in the Continuing Connected Transaction, will abstain from voting on the resolutions concerning the Framework Agreement, the transaction contemplated thereunder and the proposed Annual Cap Amounts at the EGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM. The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or other arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third part, either generally or on a case-by-case basis.

RECOMMENDATION

The Directors consider that the terms under the Continuing Connected Transaction and the transactions contemplated thereunder and the proposed Annual Cap Amounts are fair and reasonable and in the interests of the Group. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Continuing Connected Transaction.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in Appendix I to this circular.

Yours faithfully,
For and on behalf of the Board of
Vital Group Holdings Limited
Mr. He Zuyuan
Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1164)

11 November 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 11 November 2011 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Continuing Connected Transaction and the transactions contemplated and the proposed Annual Cap Amounts are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Continuing Connected Transaction is in the interests of the Independent Shareholders as a whole. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Continuing Connected Transaction and their respective proposed Annual Cap Amounts.

We wish to draw your attention to the “Letter from the Board” set out on pages 5 to 14 of the Circular which contains information of the Framework Agreement and the proposed Annual Cap Amounts, as well as the “Letter from Guangdong Securities” as set out on pages 16 to 27 of the Circular which contains its advice in respect of the terms of the Framework Agreement and the proposed Annual Cap Amounts.

Having taken into account the advice of Guangdong Securities, we consider that the terms of the Continuing Connected Transaction and the transactions contemplated thereunder and the proposed Annual Cap Amounts are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Continuing Connected Transaction.

Yours faithfully,

Independent Board Committee

Mr. Ling Bing
*Independent non-executive
Director*

Mr. Qiu Xianghong
*Independent non-executive
Director*

Mr. Huang Jinsong
*Independent non-executive
Director*

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transaction for the purpose of inclusion in this circular.



Units 2505–06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

11 November 2011

*To: The independent board committee and the independent shareholders
of Vital Group Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transaction, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 November 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 21 October 2011 (after trading hours), the Company and CGNPC-URC (being the sole shareholder of China Uranium Development, the controlling shareholder of the Company) entered into the Framework Agreement regarding the sale of Natural Uranium by the Group to CGNPC-URC during the Effective Period.

The transactions contemplated under the Framework Agreement constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The Continuing Connected Transaction is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. China Uranium Development and its associates, which have interests in the Continuing Connected Transaction, will abstain from voting on the resolutions concerning the Framework Agreement and the transactions contemplated thereunder at the EGM.

An Independent Board Committee comprising Mr. Ling Bing, Mr. Qiu Xianhong and Mr. Huang Jinsong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Framework Agreement (including the Annual Cap Amounts) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant ordinary resolutions to approve the Framework Agreement and the transactions

LETTER FROM GUANGDONG SECURITIES

contemplated thereunder at the EGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CGNPC, CGNPC-URC, China Uranium Development or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GUANGDONG SECURITIES

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transaction, we have taken into consideration the following principal factors and reasons:

(1) Background of the Continuing Connected Transaction

Information on the Group

As confirmed by the Directors, the Group's principal business includes selling, distributing and manufacturing of pharmaceutical and food products and property investment. The Group has repositioned itself as a platform for uranium resources investment and trading after the completion of the subscription of 1,670,000,000 Shares and the Convertible Bonds by China Uranium Development on 18 August 2011.

Set out below are the consolidated financial information on the Group for the six months ended 30 June 2011 and the three years ended 31 December 2010 as extracted from the interim report of the Company for the six months ended 30 June 2011 (the "2011 Interim Report") and the annual report of the Company for the year ended 31 December 2010:

	For the six months ended 30 June 2011 HK\$'000 (unaudited)	For the year ended 31 December 2010 HK\$'000 (audited)	For the year ended 31 December 2009 HK\$'000 (audited)	For the year ended 31 December 2008 HK\$'000 (audited)
Turnover	189,787	328,120	367,056	698,225
Gross Profit	118,040	224,022	259,711	447,367
Profit/(Loss) for the period/ year attributable to owners of the Company	(20,752)	36,610	53,010	61,095

LETTER FROM GUANGDONG SECURITIES

	As at 30 June 2011 <i>HK\$'000</i> (unaudited)	As at 31 December 2010 <i>HK\$'000</i> (audited)	As at 31 December 2009 <i>HK\$'000</i> (audited)	As at 31 December 2008 <i>HK\$'000</i> (audited)
Bank balances and cash	83,806	80,284	163,959	152,353
Net asset value	725,787	707,015	650,190	597,372
Gearing ratio (Total bank borrowings/ Equity attributable to equity holders of the Company, net of intangible assets and goodwill)	11%	11%	Nil	17%

As depicted by the above table, the Group recorded audited total turnovers of approximately HK\$328.12 million and HK\$367.06 million for the years ended 31 December 2010 and 31 December 2009 respectively, representing declines of approximately 10.61% and 47.43% as compared to their respective prior years. Moreover, the Group's profitability also dropped continuously from 2008 to 2010 and turned to be loss making for the six months ended 30 June 2011. According to the 2011 Interim Report, in the foreseeable future, consolidation is expected to take place in the markets of food, pharmaceuticals and properties in the PRC, with substantial pressure existing in the operating environment. As also advised by the Directors, competition in the pharmaceuticals industry faced by the Company is keen given that the Company's existing pharmaceutical products are not differentiated and unique enough and it is hence not difficult for consumers to find substitutes if they want to. Based on our discussion with the Directors regarding the Company's business operation and the types of pharmaceutical products it sells, we concur with the Directors that the Company faces keen competition in the pharmaceuticals industry. Moreover, taking in to account the continuous reduction in profitability of the Group from 2008 to 2010 together with the loss making performance of the Group for the six months ended 30 June 2011, we concur with the Directors that it would be beneficial for the Group to diversify its business when suitable opportunities arise.

Information on CGNPC

With reference to the Board Letter, CGNPC is a large scale clean energy corporation under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council and is a state-owned enterprise. CGNPC was established in September 1994 with a registered capital of RMB10.2 billion.

CGNPC and its subsidiaries (the "CGNPC Group") are engaged in nuclear energy production, energy-related technology development, nuclear fuel supply, and the construction of plants and development of technology relating to renewable energy, such as wind power, hydro-electric power and solar energy. In the PRC, the CGNPC Group has six national

LETTER FROM GUANGDONG SECURITIES

nuclear energy research and development centers, undertakes more than half of the nation's electricity plant construction works and controls more than half of the nation's nuclear electricity plants operation. CGNPC is not listed in any stock exchange.

Information on CGNPC-URC

As extracted from the Board Letter, CGNPC-URC is the sole shareholder of China Uranium Development, the controlling shareholder of the Company, which holds approximately 50.11% equity interest in the Company. It is one of the few enterprises in the PRC which owns the licence(s) to manage nuclear fuels and deal with the import and export of Natural Uranium. The core businesses of CGNPC-URC are to (i) manage the supply of nuclear fuels for CGNPC; (ii) establish an interest in and support development of commercial resources and reserves of Natural Uranium; and (iii) deal with the import and export trade of the PRC and overseas Natural Uranium and related products.

Information on Guangxi Fangchenggang Company

As set out in the Board Letter, Guangxi Fangchenggang Company is a non wholly-owned subsidiary of CGNPC. Guangxi Fangchenggang Company was established in September 2008. The total investment amount of Guangxi Fangchenggang Company is approximately RMB70 billion. The nuclear power plant project to be operated by Guangxi Fangchenggang Company is a flagship development project to CGNPC and is important to secure the source of power supply to Guangxi Zhuang Autonomous Region, especially the northern part of Guangxi Zhuang Autonomous Region. The nuclear power plant is expected to start commercial operation in August 2014. Guangxi Fangchenggang Company is not listed in any stock exchange.

Information on Yangjiang Company

According to the Board Letter, Yangjiang Company is a non wholly-owned subsidiary of CGNPC. It was established in the PRC in February 2005 and is primarily responsible for the construction, operation and management of the nuclear power plant in Yangjiang. The total investment amount of Yangjiang Company is approximately RMB70 billion. Six nuclear power reactors will be consecutively constructed. Yangjiang Company owns the largest nuclear power plant stations in the PRC, in terms of number of nuclear power reactors and size. The nuclear power plants operated by Yangjiang Company are regarded as a key energy supply project of "Eleventh Five-Year Guideline" promulgated by the PRC government. Yangjiang Company is not listed in any stock exchange.

(2) Reasons for the Continuing Connected Transaction

As aforementioned, the Directors expected that in the foreseeable future, consolidation is expected to take place in the markets of food, pharmaceuticals and properties in the PRC, with substantial pressure existing in the operating environment. The Group has also repositioned itself as a platform for uranium resources investment and trading after the completion of the subscription of 1,670,000,000 Shares and the Convertible Bonds by China Uranium Development on 18 August 2011.

As stated in the Board Letter, the Group intends to leverage on the background and expertise of China Uranium Development in the uranium industry to explore business development and investment opportunities. Given that CGNPC-URC is one of the few enterprises in the PRC which owns the licence(s) to manage nuclear fuels and deal with the import and export of Natural Uranium, coupled with the facts that the Group, by entering into the Framework Agreement, will indirectly become natural uranium supplier of certain larger and famous End Users (including Guangxi Fangchenggang Company and Yangjiang Company), the Board believes that the Continuing Connected Transaction is able to diversify the Group's business and broaden the Group's income sources as well as to assist in developing the Group's expertise and experience in the uranium industry and enhance the Group's competitiveness in the future.

As advised by the Directors upon our further enquiries, CGNPC-URC has obtained authorisation of turnkey contract of nuclear fuel of CGNPC and has been providing nuclear fuel and other related supply and technical services for the nuclear power plants of CGNPC, including but not limited to Yangjiang Company, Ling'ao nuclear power plant, Daya Bay Nuclear Power Operations and Management Company Limited, China Nuclear Power Engineering Company Limited and Nuclear Power Technology Research Institute, etc. Accordingly, the Directors expected that there would be long-term stable and substantial demand for Natural Uranium from CGNPC-URC and the End Users.

As further set out in the Board Letter, the operation flow of the Continuing Connected Transaction is as follows:

- (a) a sales agreement is signed between the Group and CGNPC-URC setting out the quantity, payment method, place of delivery and etc.;
- (b) after signing the sales agreement, the Group enters into a supply agreement with an overseas supplier of Natural Uranium. The supply agreement would specify the designated place of delivery (normally a port in the PRC). Natural Uranium will be received by CGNPC-URC;
- (c) when such Natural Uranium is delivered to a port and received by CGNPC-URC, CGNPC-URC will be responsible for customs clearance and arrange to deliver to the End Users; and
- (d) CGNPC-URC arranges to settle payment to the Group and the Group will then arrange payment to that relevant Natural Uranium supplier.

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The Company can use various methods (including long term trading and existing product trading) to source for the supply of Natural Uranium from various overseas suppliers. In addition, the Directors advised us that as the possible overseas suppliers include the existing suppliers to the CGNPC Group and they do not obviate the possibility of sourcing from other new overseas suppliers, the risk of not obtaining enough supply of Natural Uranium from overseas suppliers is very slim and remote.

As extracted from the Board Letter, as United States Dollars (“US\$”) will be used to settle payment for Natural Uranium as a market practice and there is linked exchange rate between US\$ and HK\$, the Group does not need to bear currency risk. Under normal circumstances, as the Group will pay the overseas suppliers after receiving payment from CGNPC-URC, the Group foresees that under normal circumstances, the Group does not need to bear credit risk. The Group will work with CGNPC-URC closely on settlement of payment.

As advised by the Directors, the Group will settle the payment to overseas suppliers after receiving payment from CGNPC-URC under normal circumstances. Therefore, under normal circumstances, there is no necessity for capital requirement for the Group in order to conduct the Continuing Connected Transaction.

As further advised by the Directors, the Company has set up a natural uranium department which is led by a deputy managing director. Most of the senior staff in this department has been engaged in the Natural Uranium trading industry for more than 10 years and are experts in the Natural Uranium industry. They will be responsible for handling matters arising from the Continuing Connected Transaction.

We have searched over the internet regarding the development of nuclear power in the PRC and noted from a report released by the World Nuclear Association dated November 2011 (the “**Report**”) that nuclear power is expected to have a growing important role in the PRC, especially in the coastal areas remote from the coalfields and where the economy is developing rapidly. As at the date of the Report, the PRC had 14 nuclear power reactors in operation and 25 further reactors were under construction. Those additional reactors are likely to lead to a five- or six-fold increase in nuclear capacity to at least 60 gigawatt electrical (GWe) by 2020, 200 GWe by 2030, and 400 GWe by 2050. Going forward and in the long run, the PRC’s domestic manufacturing of nuclear plant and equipment is expected to maximise, with self-reliance in design and management although international cooperation will continue to be encouraged.

We understand that the nuclear crisis which happened in Fukushima city of Japan in March 2011 (the “**Crisis**”) has aroused worldwide concern on the safety use of nuclear power. In this relation, we noted from the Report that following the Crisis, the State Council of the PRC announced that it would suspend approvals for new nuclear power stations and conduct comprehensive safety checks of all nuclear projects in the PRC. However, notwithstanding the possible delay in the relevant governmental approval process for future nuclear projects in the PRC due to the Crisis, based on our research over the internet, we noted from several Chinese newspaper articles that the vice chairman of the National Development and Reform Commission of the PRC reaffirmed on 21 April 2011 that the PRC would continue to develop nuclear power while ensuring its safety. Given also the limited supply of power generating resources (such as oil and coal) without satisfactory and sufficient substitutes as well as the expected strong demand for

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energy in the long term for development of the PRC economy, it is anticipated that the nuclear power industry, and in turn the uranium or related industry in the PRC would be developing persistently in the future.

In light of that (i) the Continuing Connected Transaction is in line with the strategy of the Group to reposition itself; (ii) the Continuing Connected Transaction may assist in developing the Group's expertise and experience in the uranium industry and enhancing the Group's competitiveness in the future; (iii) the background of CGNPC, CGNPC-URC, Guangxi Fangchenggang Company and Yangjiang Company as represented by the Directors; (iv) the minimal capital requirement for the Group to conduct the Continuing Connected Transaction; (v) a natural uranium department with relevant experience has been set up by the Company; and (vi) the future prospects of the nuclear power industry the PRC as just mentioned, we consider that the Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole.

However, Shareholders should also note that the Continuing Connected Transaction would constitute an investment into a new business sector which the Group has not previously had the exposure and experience. The possible risk factors associated with the Continuing Connected Transaction are set out in the sub-section headed "Risks associated with the Continuing Connected Transactions" of the Board Letter. We are of the view that Independent Shareholders should bear in mind all the risk factors associated with the Continuing Connected Transaction when considering the Continuing Connected Transaction based on their own risk preference and risk toleration level.

(3) Principal terms of the Framework Agreement

On 21 October 2011 (after trading hours), the Company and CGNPC-URC entered into the Framework Agreement regarding the sale of Natural Uranium by the Group to CGNPC-URC during the Effective Period.

Pursuant to the Framework Agreement:

- (i) the Group has agreed to sell and CGNPC-URC has agreed to purchase and purchase on behalf of certain End Users certain amount of Natural Uranium during the Effective Period;
- (ii) CGNPC-URC is the sole natural uranium supplier of CGNPC. CGNPC-URC shall exclusively source from the Group the entire amount of Natural Uranium demanded by Guangxi Fangchenggang Company and Yangjiang Company during the Effective Period; and
- (iii) the Group shall have the first right of refusal to supply Natural Uranium demanded by other existing or potential uranium clients of CGNPC-URC or CGNPC-URC itself during the Effective Period.

The price per pound of Natural Uranium shall be determined with reference to the one-month, three-month, six-month and twelve-month arithmetic average prices of both the spot price index and long-term price index published weekly or monthly by UxC and TradeTech and the

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rational price expectation of the Group and CGNPC-URC. Details of UxC and TradeTech are set out in the sub-section headed “Information on UxC and TradeTech” of the Board Letter. As confirmed by the Directors, the rational price expectation of the Group and CGNPC-URC refers to the respective weights to be applied to each of the components determining the price per pound of Natural Uranium, i.e. the one-month, three-month, six-month and twelve-month arithmetic average prices of both the spot price index and long-term price index published weekly or monthly by UxC and TradeTech plus a margin. If the rational price expectation is different from the arithmetic average prices of the spot price index and long-term price index published by UxC and TradeTech, the Group will adopt the outcome of rational price expectation whereas the indices will be used as reference.

As further advised by the Directors, using prices published by UxC and TradeTech to determine prices of Natural Uranium are market practices commonly used by companies sourcing for Natural Uranium and the pricing mechanism for Natural Uranium under the Framework Agreement conforms to market practices. In addition, we noted from the circular made by CNNC International Limited (stock code: 2302) on 4 March 2010 that the contract price for the uranium ore concentrates under a sales contract entered into by an associate of CNNC International Limited shall be determined with reference to the arithmetic average prices of the spot price and long-term price of Natural Uranium published by UxC and TradeTech, Inc. To the best of our knowledge and endeavor, we did not identify other public information which might indicate the possible market practice for the Continuing Connected Transaction. With the above being the case, together with the representation made by the Directors that using prices published by UxC and TradeTech to determine prices of Natural Uranium are market practices commonly used by companies sourcing for Natural Uranium, we concur with the Directors that the pricing term for Natural Uranium under the Framework Agreement is on normal commercial terms and conforms to market practices.

In any event, the price per pound of Natural Uranium offered to CGNPC-URC by the Group shall not be lower than that offered to any independent third parties.

The consideration of Natural Uranium being purchased shall be settled by CGNPC-URC via wire transfer within 30 calendar days upon completion of each Delivery or a date to be agreed by the Company and CGNPC-URC.

Further details of the Framework Agreement are set out in the section headed “Continuing Connected Transaction” of the Board Letter.

As confirmed by the Directors, the terms and conditions of the Framework Agreement were determined after arm’s length negotiations between the parties thereto. The Directors consider that the terms of the Framework Agreement (including the Annual Cap Amounts) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Continuing Connected Transaction is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM GUANGDONG SECURITIES

(4) The Annual Cap Amounts

The table below shows the Annual Cap Amounts for the three years ending 31 December 2013:

	From the Effective Date to 31 December 2011 <i>HK\$'000</i>	For the year ending 31 December 2012 <i>HK\$'000</i>	For the year ending 31 December 2013 <i>HK\$'000</i>
The Annual Cap Amounts	522,600	2,246,400	3,463,200

In assessing the fairness and reasonableness of the Annual Cap Amounts, we have discussed with the Directors regarding the bases and assumptions underlying the computation (the “**Computation**”) of the Annual Cap Amounts. As extracted from the Board Letter, the proposed Annual Cap Amounts are determined by taking into account the following factors:

- (i) the anticipated demand for Natural Uranium from the End Users, including Guangxi Fangchenggang Company and Yangjiang Company;
- (ii) historical trading volume of CGNPC-URC; and
- (iii) historical prices and possible price fluctuations in Natural Uranium.

For our due diligence purpose, we have reviewed the Computation and the calculation basis of (i) the anticipated demand for Natural Uranium from the End Users, including Guangxi Fangchenggang Company and Yangjiang Company; (ii) the expected selling price of Natural Uranium in the future; and (iii) a buffer of 20% for each of the two years ending 31 December 2012 and 2013, and we concur with the Directors that the Annual Cap Amounts were determined with the aforementioned basis.

During our discussion with the Directors, we were further advised that the Annual Cap Amount for the year ending 31 December 2011 was based on the anticipated demand for Natural Uranium from Guangxi Fangchenggang Company, Yangjiang Company and CGNPC-URC. The Annual Cap Amounts for each of the two years ending 31 December 2012 and 2013 were based on the anticipated demand for Natural Uranium from Guangxi Fangchenggang Company, Yangjiang Company, CGNPC-URC as well as other End Users. As confirmed by the Directors, save as Guangxi Fangchenggang Company and Yangjiang Company, there would be no demand for Natural Uranium from the End Users for the year ending 31 December 2011.

In addition, the Directors advised us that the anticipated demand for Natural Uranium from the End Users was also determined by reference to the general nuclear fuel cycle and the useful life of nuclear fuel, including the initial core and the fuel cycle thereafter. We were advised that the general nuclear fuel cycle refers to the series of different stages that nuclear fuel passes through during its utilisation. The front-end part of the general nuclear fuel cycle consists of uranium mining, ore processing, uranium extraction, refining, conversion, enrichment, components production and etc.; while the back-end part of the general nuclear fuel cycle consists of the

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remedial work of uranium-plutonium separation on fuel components after the reactor irradiation, as well as handling, storage and disposal of the radioactive waste. Under the front-end part of the general nuclear fuel cycle, nuclear fuel is required for initial core as well as fuel cycle thereafter, the timing of which is dependent on the useful life of nuclear fuel. After discussing the determination basis of the anticipated demand for Natural Uranium from the End Users with the Directors, we concur with the Directors that the anticipated demand for Natural Uranium from the End Users were determined with reference to (i) the general nuclear fuel cycle; (ii) the useful life of nuclear fuel; and (iii) the anticipated numbers of new nuclear power reactors and nuclear power reactors in operation in each of the three years ending 31 December 2013.

We have reviewed a report released by UxC dated 30 May 2011 and noted that the spot price and long-term price of Natural Uranium were US\$57.5 per libra and US\$68.0 per libra as at 30 May 2011. We have also reviewed a report released by TradeTech and noted that the spot price and long-term price of Natural Uranium were US\$56.5 per libra and US\$68.0 per libra as at 31 May 2011. Based on the information as provided by the Directors and our search over the internet for the selling price of Natural Uranium, we noted that the historical spot price of Natural Uranium ranged from a minimum of approximately US\$49 per libra to a maximum of approximately US\$73 per libra in the past year. The expected selling price of Natural Uranium on which the Annual Cap Amounts are based is within the historical price range of Natural Uranium in the past year. We also noted from a Chinese newspaper article dated 23 May 2011 published by China Energy News (a Chinese newspaper established by People's Daily in 2008 for the purpose of reporting energy related news) that Mr. Zhou Zhenxing, a director of CGNPC-URC, considered that the selling price of Natural Uranium would be in the range of US\$65 per libra to US\$70 per libra and Mr. Jonathan Hinze, the vice president of international operations of UxC, stated that the long-term selling price of Natural Uranium would be approximately US\$70 per libra. Having considered the foregoing, we concur with the Directors that the expected selling price of Natural Uranium in the future under the Computation is acceptable. In addition, in light of the fluctuation in the historical spot price of Natural Uranium in the past year, i.e. the maximum historical spot price of Natural Uranium represents a premium of over 40% over the minimum historical spot price of Natural Uranium in the past year, we concur with the Directors that the buffer of 20% for each of the two years ending 31 December 2012 and 2013 is acceptable.

Having considered the foregoing and the probable positive prospects of the uranium sector as mentioned in the section headed "Reasons for the Continuing Connected Transaction" above, we consider that the terms of the Framework Agreement (including the Annual Cap Amounts) are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the Annual Cap Amounts are relating to future events and are estimated based on assumptions which may or may not remain valid during the Effective Period, and they do not represent forecasts of revenue to be generated from the Continuing Connected Transaction. Consequently, we express no opinion as to how closely the actual revenue to be generated under the Continuing Connected Transaction will correspond with the Annual Cap Amounts.

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(5) Listing Rules implication and internal control of the Group

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.37 to 14A.41 of the Listing Rules pursuant to which (i) the values of the Continuing Connected Transaction must be restricted by the Annual Cap Amounts for the three years ending 31 December 2013; (ii) the terms of the Framework Agreement (including the Annual Cap Amounts) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the Framework Agreement (including the Annual Cap Amounts) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the Continuing Connected Transaction is carried out in accordance with the pricing policies of the Company, and the Annual Cap Amounts are not being exceeded. In the event that the total amounts of the Continuing Connected Transaction exceed the Annual Cap Amounts, or that there is any material amendment to the terms of the Framework Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Continuing Connected Transaction (including the Annual Cap Amounts) and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Framework Agreement (including the Annual Cap Amounts) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Framework Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be 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 in which the Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules were as follows:

Long positions in Shares and underlying Shares

(i) interests in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued Share capital of the Company
Mr. Chen Zhiyu	Personal interests	26,666	0.0008%

As at the Latest Practicable Date, none of the Directors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(ii) other interests

As at the Latest Practicable Date,

- (i) none of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, the date to which the latest published audited financial statement of the Group was made up;
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group taken as a whole; and
- (iii) saved as disclosed in this circular, none of the Directors or the controlling Shareholders and their respective associates had any interest in a business which competes or may compete with the business of the Group or had any other conflict of interest with the Company.

(b) Substantial Shareholders' and other Shareholders' interests

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executive of the Company, no other person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10 per cent (10%) or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Long positions in Shares

Name of Shareholder	Nature of interests	Number of Shares	Approximate percentage of the total issued Share capital of the Company
Perfect Develop Holding Inc.	Corporate	522,526,940 <i>(Note 1)</i>	15.68%
China Uranium Development Company Limited	Beneficial owner	1,670,000,000	50.11%
CGNPC Uranium Resources Co. Ltd. <i>(Note 2)</i>	Interest in a controlled corporation	4,728,695,652 <i>(Note 3)</i>	141.89%
China Guangdong Nuclear Power Holding Corporation, Ltd.	Interest in a controlled corporation	4,728,695,652 <i>(Note 4)</i>	141.89%

Notes:

1. 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, Mr. Huang Jianming and Mr. Liu James Jin are founders of the Group, and former executive Directors of the Company. Pursuant to a share charge dated 1 April 2011 (the “Share Charge”), Perfect Develop Holding Inc. charged 450,000,000 Shares in favour of China Uranium Development.
2. CGNPC Uranium Resources Co. Ltd. (“CGNPC-URC”) holds 100% of the issued share capital of China Uranium Development. Therefore, CGNPC-URC is deemed to be interested in 1,670,000,000 Shares by virtue of its shareholding of China Uranium Development.
3. The long position represents (i) the interests held by China Uranium Development as stated in Note 2 above, (ii) the interests in the 2,608,695,652 conversion shares which may be issued under the Convertible Bonds and (iii) 450,000,000 Shares under the Share Charge as stated in Note 1 above.
4. China Guangdong Nuclear Power Holding Corporation, Ltd. holds 100% of the equity interests of CGNPC-URC. Therefore, it is deemed to be interested in the interest held by CGNPC-URC.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of Group which will not expire or is not determinable by the Company within one (1) year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at 31 December 2010, Mr. Chen Zhiyu (“Mr. Chen”), an executive Director and chief executive officer of the Company, has approximately 52% shareholding in Guangdong Suntop Pharmaceutical Co., Ltd. (“Guangdong Suntop”). Mr. Chen therefore had interests in businesses which compete or are likely to compete, either directly or indirectly with the business of the Group.

Guangdong Suntop principally engages in the sales of pharmaceutical products in the PRC. The major pharmaceutical products sold by Guangdong Suntop are Houtou Jun TiQuWu KeLi (猴頭菌提取物顆粒), which is for the treatment of chronic gastritis, and fungus related products Compound TianMa MiHuanTangTai Pian (複方天麻蜜環糖肽片), which is for the treatment of high blood pressures and cerebral thrombosis etc. These products are different and easily distinguishable from the major products of the Company, i.e. calcium capsule, minerals, vitamins and liver protecting drug. As there is a clear delineation between the products sold by the Company and by Guangdong Suntop, the Directors believe that there is no direct competition between Guangdong Suntop and the Company.

Saved as disclosed above, none of the Directors, the controlling shareholders of the Company and their respective associates had an interest in a business which operates in or may operate in significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

5. EXPERTS AND CONSENTS

The following is the qualifications of the expert who has been named in this circular or has given opinion or advice contained in this circular:

Name	Qualification
Guangdong Securities	a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Guangdong Securities did not have any interest, either direct or indirect, in any assets which have been, since 31 December 2010, the date to which the latest audited consolidated financial statements of the Company were published, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group nor had any shareholding in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and letter in the form and context in which they appear.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in the PSI Announcement and the Vital Pharmaceuticals (Sichuan) Disposal Announcement, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited accounts of the Company were made up.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the office of Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any business day for a period of 14 days from the date hereof:

- (1) the Framework Agreement;
- (2) the letter from the Board, the text of which is set out on pages 5 to 14 of this circular;
- (3) the letter from Guangdong Securities, the text of which is set out on pages 16 to 27 of this circular;
- (4) the consent letter from Guangdong Securities as referred to in the paragraph headed "Experts and Consents" in this appendix;
- (5) the letter of advice from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- (6) the memorandum and articles of association of the Company; and
- (7) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Vital Group Holdings Limited (the “Company”) will be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 28 November 2011 (Monday) at 10:30 a.m. for the following purposes:

AS ORDINARY RESOLUTIONS

1. “**THAT** the framework agreement dated 21 October 2011 (the “**Framework Agreement**”), a copy of which has been produced to the EGM marked “1” and signed by the chairman of the EGM for the purposes of identification, and the terms and conditions thereof and its proposed annual cap amounts and the transaction contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed.”
2. “**THAT** any one of the directors be authorized for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Framework Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Framework Agreement as they may in their discretion consider to be desirable and in the interests of the Company and all the director’s acts as aforesaid be hereby approved, ratified and confirmed.”

By Order of the Board of
Vital Group Holdings Limited
Mr. He Zuyuan
Chief Executive Officer

Hong Kong, 11 November 2011

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member 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 place. A proxy need not be a member of the Company. In order to be valid, the form of proxy together with a 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 and transfer office, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 48 hours before the appointed time for holding the meeting or any adjourned meeting.
- (2) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (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.

As at the date of this notice, the Board comprises two executive directors: Mr. He Zuyuan (chief executive officer) and Mr. Li Zhengguang, four non-executive directors: Mr. Yu Zhiping (Chairman), Mr. Wei Qiyuan, Ms. Zheng Xiaowei and Mr. Chen Zhiyu and three independent non-executive directors: Mr. Ling Bing, Mr. Qiu Xianhong and Mr. Huang Jinsong.