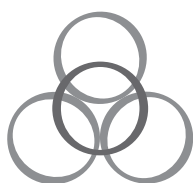

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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四环医药
SihuanPharm

SIHUAN PHARMACEUTICAL HOLDINGS GROUP LTD.

四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

**PROPOSED ADOPTION OF SHARE OPTION SCHEME
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the SGM of the Company to be held at Room 4905, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 24 October 2017 at 3 p.m. is set out on pages N1 to N2 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sihuanpharm.com). Whether or not you are able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

9 October 2017

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DEFINITIONS

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

“Adoption Date”	the date on which the Share Option Scheme is adopted by an ordinary resolution to be passed by the Shareholders at the SGM
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Auditors”	the auditors for the time being of the Company
“Board”	the board of Directors
“Business Day”	a day upon which the Stock Exchange is open for securities trading
“Bye-Laws”	the bye-laws of the Company, as amended, supplemented or modified from time to time
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	Sihuan Pharmaceutical Holdings Group Ltd., a company incorporated in Bermuda with limited liability, with its Shares listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Person(s)”	means (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; and (v) a close associate of any of the foregoing persons

DEFINITIONS

“Grantee”	any Eligible Person who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to exercise any Share Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	4 October 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Offer”	an offer of the grant of a Share Option made in accordance with the terms of the Share Option Scheme
“Offer Date”	the date on which an Offer is made to an Eligible Person, which must be a Business Day
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SGM”	the special general meeting of the Company to be convened and held at Room 4905, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 24 October 2017 at 3 p.m. or at any adjournment thereof (as the case may be) to consider and, if thought fit, approve, inter alia, the proposed adoption of the Share Option Scheme
“Share(s)”	the ordinary share(s) of the Company
“Share Option(s)”	share option(s) granted or to be granted to the entitled person(s) or the Eligible Person(s) to subscribe for Share(s) under the Share Option Scheme and any other share option scheme(s) of the Company
“Share Option Scheme”	the share option scheme to be adopted by the Shareholders at the SGM

DEFINITIONS

“Share Option Period”	means a period to be determined and notified by the Board to the Grantee during which the Share Option may be exercised and in any event shall not be more than ten (10) years commencing on the Offer Date and expiring on the last day of such ten-year period subject to the provisions for early termination in accordance with the terms of the Share Option Scheme
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“%”	per cent

LETTER FROM THE BOARD



四环医药
SihuanPharm

SIHUAN PHARMACEUTICAL HOLDINGS GROUP LTD.

四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

Executive Directors:

Che Fengsheng
Guo Weicheng
Meng Xianhui

Non-executive Directors:

Zhang Jionglong
Homer Sun

Independent Non-executive Directors:

Patrick Sun
Tsang Wah Kwong
Zhu Xun

Registered Office:

Claredon House
2 Church Street
P.O. Box HM1022
Hamilton HM DX
Bermuda

*Principal place of business
in Hong Kong:*

Room 4905
Office Tower
Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

9 October 2017

To the Shareholders

Dear Sir or Madam,

**PROPOSED ADOPTION OF THE SHARE OPTION SCHEME
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information and to seek your approval, inter alia, on the proposed adoption of the Share Option Scheme. A notice of the SGM containing the resolution to be proposed at the SGM is set out on pages N1 to N2 of this circular.

LETTER FROM THE BOARD

PROPOSED ADOPTION OF THE SHARE OPTION SCHEME

Adoption of the Share Option Scheme

The Board proposes the adoption of the Share Option Scheme, which will be valid for ten (10) years from the Adoption Date.

The purpose of the Share Option Scheme is to enable the Company to grant Share Options to the selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the development and the growth of the Group. A summary of the principal rules of the Share Option Scheme is set out in the Appendix of this circular.

The Board considers that the Share Option Scheme will motivate more people to contribute to the Group's development. The Share Option Scheme, which will be in the form of Share Options to subscribe for the Shares, will enable the Group to recruit, incentivize and retain high-calibre staff, and as such, it is in the interests of the Group as a whole that more categories of people be eligible for the Share Option Scheme so as to give incentives to them to contribute to the Group's growth and development. Furthermore, the Board considers that the Eligible Persons will share the same interests and objectives with the Group upon their exercise of the Share Options. This is beneficial to the long-term development of the Group. In addition, the adoption of the Share Option Scheme is in line with modern commercial practice that full-time or part-time employees, directors, members of the management, advisors and consultants of the Group and the Shareholders be given incentives to work towards the goal of enhancing the enterprise value and attaining the long-term objectives of the Company for the benefit of the Group as a whole. As such, the Directors consider that the adoption of the Share Option Scheme is in the interests of the Company and the Shareholders as a whole. The provisions of the Share Option Scheme will comply with the requirements of Chapter 17 of the Listing Rules.

The rules of the Share Option Scheme provide that the Board may specify the Eligible Persons to whom Share Options shall be granted, the number of Shares subject to each Share Option and the date on which the Share Options shall be granted. The Share Options may be exercised at any time during the Share Option Period subject to certain conditions, restrictions or limitations imposed pursuant to the rules of the Share Option Scheme. The basis for determining the subscription price is also specified precisely in the rules of the Share Option Scheme. There is no performance target specified in the Share Option Scheme. The Directors consider that allowing the Board discretion to fix, among other things, the minimum period for which a Share Option must be held before it can be exercised, performance targets and the subscription price, upon the grant of Share Options will better serve the purpose of the Share Option Scheme as this will allow the Board to grant Share Options that cater to the specific circumstances of the Grantee, taking into consideration the Grantee's seniority, experience, past work performance, field of expertise, etc., and thereby providing appropriate motivation and incentive to the Grantee.

The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Persons to acquire proprietary interests in the Company. The Company does not at present intend to appoint a trustee to the Share Option Scheme.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were 9,471,082,206 Shares in issue. Assuming that no further Share will be allotted, issued, repurchased or cancelled prior to the SGM, the total number of Shares that may fall to be allotted and issued under the Share Option Scheme after the resolution regarding the proposed adoption of the Share Option Scheme is passed at the SGM would be 947,108,220 Shares, representing approximately 10% of the total number of Shares in issue.

The Directors consider that it is not appropriate to state the value of the Share Options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. The Directors believe that any statement regarding the value of the Share Options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the Share Options to be granted shall not be assignable, and no holder of the Share Options shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any Share Option.

In addition, any such valuation would have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions, including the subscription price, the exercise period, lock-up period (if any), interest rate, expected volatility and other variables. As no Share Option had been granted as at the Latest Practicable Date under the Share Option Scheme, certain variables are not available for calculating the value of the Share Options thereunder, the Directors believe that any calculation of the value of the Share Options under the Share Option Scheme as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and may be misleading to the Shareholders and the investors of the Company.

None of the Directors is a trustee of the Share Option Scheme nor has a direct or indirect interest in the trustees of the Share Option Scheme (if any).

As at Latest Practicable Date, the Company had not granted or proposed to grant or intended to grant any Share Options under the Share Option Scheme.

Conditions precedent of the Share Option Scheme

The adoption of the Share Option Scheme is conditional upon:

- (i) the passing of ordinary resolution(s) by the Shareholders at the SGM to (1) approve and adopt the Share Option Scheme; (2) authorise the Board to grant Share Options under the Share Option Scheme; and (3) authorise the Board to allot and issue Shares pursuant to the exercise of any Share Options to be granted pursuant to the Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any Share on the Stock Exchange which may fall to be allotted and issued by the Company pursuant to the exercise of the Share Options in accordance with the terms and conditions of the Share Option Scheme.

Subject to the obtaining of the Shareholders' approval with respect to the adoption of the Share Option Scheme at the SGM, the total number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total

LETTER FROM THE BOARD

issued share capital of the Company as at the date on which the 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 Share Options may be granted under the Share Option Scheme together with any Share Options outstanding and yet to be exercised under the Share Option Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

A summary of the principal rules of the Share Option Scheme is set out in the Appendix to this circular. A copy of the Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at Room 4905, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours from the date hereof up to the date of SGM.

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 Share Options granted under the Share Option Scheme.

As at the Latest Practicable Date, no Shareholder had a material interest in the adoption of the Share Option Scheme. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto.

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 Group. 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.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members will be closed from Thursday, 19 October 2017 to Tuesday, 24 October 2017, both days inclusive in order to determine the entitlement of Shareholders to attend and vote at the SGM, during which period no share transfers can be registered. In order to qualify for attending and voting at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 18 October 2017.

THE SGM

A notice convening the SGM of the Company to be held at Room 4905, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 24 October 2017 at 3 p.m. as set out on pages N1 to N2 of this circular and a form of proxy for the SGM are despatched together with this circular. Whether or not you are able to attend the SGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre,

LETTER FROM THE BOARD

183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Bye-law 66 of the Bye-Laws, at any general meeting, a resolution put to the vote of the meeting is to be decided by way of poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he/she/it is the holder but no amount paid up or credited as paid up on a Share in advance of calls or instalments is treated for the foregoing purposes as paid up on the Share. A person/corporation entitled to more than one vote on a poll need not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

An announcement on the results of the voting by poll will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors are of the opinion that the proposed adoption of the Share Option Scheme is in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of the resolution relating to the proposed adoption of the Share Option Scheme set out in the notice of the SGM contained herein.

Yours faithfully,
By Order of the Board
Sihuan Pharmaceutical Holding Group Ltd.
Che Fengsheng
Chairman and Executive Director

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

The following is a summary of the principal rules of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as effecting the interpretation of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out in paragraph (b) below) (i) to optimise their future contributions to our Group; (ii) to reward them for their past contributions; and (iii) to attract, retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of our Group.

(b) Eligible persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an “**Employee**”), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an “**Executive**”), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or an associate (as defined under the Listing Rules) of any of the foregoing persons (together, “**Eligible Persons**” and each an “**Eligible Person**”).

(c) Administration of the Share Option Scheme

The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of the Share Option Scheme) be final and binding on all parties thereto. Our Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

(d) Determination of eligibility

- (i) The Board may, at its absolute discretion, offer to grant to any Eligible Person (a “**Grantee**”) an option to subscribe for Shares under the Share Option Scheme.
- (ii) The basis of eligibility of any Eligible Person to the grant of any option shall be determined by our Directors from time to time on the basis of their contributions to the development, growth and success of our Group.

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

- (iii) For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of options under the Share Option Scheme.
- (iv) An Eligible Person or a Grantee shall provide the Board such information and supporting evidence as the Board may in its absolute discretion request from time to time (including before the offer of a grant of option, at the time of acceptance of a grant of option and at the time of exercise of an option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or a Grantee or that of his close associates or for purposes in connection with the terms of an option (and the exercise thereof) or the Share Option Scheme and the administration thereof.

(e) Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date. However, the Shareholders may by a resolution in general meeting at any time terminate the Share Option Scheme. Upon expiry or termination of the Share Option Scheme, no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted before such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

(f) Grant of options

On and subject to the terms and conditions of the Share Option Scheme, our Board shall be entitled at any time within a period of ten (10) years commencing on the Adoption Date to offer the grant of any option to any Eligible Person as the Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the option as accepted to the Eligible Person.

Subject to the provisions of the Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any condition, restriction or limitation in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option), including but without prejudice to the generality of the foregoing continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the Grantee, the satisfactory performance or maintenance by the Grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the Shares to which the option relates shall vest, provided that the period within which the Shares that the option relates shall vest on a date not more than ten (10) years from the date of the grant of the option.

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

An offer of the grant of an option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the option. Once such acceptance is made, the option shall be deemed to have been granted and to have taken effect from the offer date.

(g) Subscription price of the Shares

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of a Share;
- (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (iii) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph (m) below.

(h) Exercise of options

- (i) An option shall be exercised in whole or in part by the Grantee according to the procedures for the exercise of options established by our Company from time to time. Every exercise of an option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such option.
- (ii) An option shall be personal to the Grantee and shall not be assignable. 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 or purport to do so. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or any part thereof granted to such Grantee without any compensation.
- (iii) Subject to sub-paragraph (v) below and any condition, restriction or limitation imposed in relation to the particular option pursuant to the provisions of paragraphs (f), (j) or (l) and subject as hereinafter provided, an option may be exercised at any time during the option period, provided that:
 - (1) if the Grantee (being an individual) dies or becomes permanently disabled before exercising an option (or exercising it in full), he (or his legal representative(s)) may exercise the option up to the Grantee's entitlement (to the extent not already

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

- exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
- (2) in the event of the Grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;
 - (3) in the event of the Grantee ceasing to be an Executive by reason of his transfer of employment to an affiliated company of our Company, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
 - (4) in the event of the Grantee ceasing to be an Executive by any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time, transfer of employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
 - (5) in the event of the Grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
 - (6) if a Grantee being an executive Director ceases to be an Executive but remains as a non-executive Director, his option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board has determined the option (to the extent not already exercised) shall lapse on the date of cessation of such

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

appointment and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

- (7) if (aa) our Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or (bb) a Grantee has failed to satisfy or comply with or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the option or which were the basis on which the option was granted, the option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (aa)) or on the date on which the Grantee has failed to satisfy or comply with or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (bb)) and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (aa), a resolution of our Board resolving that the Grantee's option has lapsed pursuant to this subparagraph shall be final and conclusive;
- (8) if a Grantee (being a corporation) (aa) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertakings of the Grantee; or (bb) has suspended, ceased or threatened to suspend or cease business; or (cc) is unable to pay its debts; or (dd) otherwise becomes insolvent; or (ee) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (ff) commits a breach of any contract entered into between the Grantee or his associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be), and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the Grantee's option has lapsed pursuant to this subparagraph by reason of a breach of contract as aforesaid shall be final and conclusive;
- (9) if a Grantee (being an individual) (aa) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or (bb) or has made any arrangements or compositions with his creditors generally; or (cc) has been convicted of any criminal offence involving his integrity or honesty; or (dd) commits a breach of any contract entered into between the Grantee

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

or his associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors, or on the date of his conviction or on the date of the said breach of contract (as the case may be), and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

- (10) if a general offer (whether by way of takeover 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) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) before such time and date as shall be notified by our Company;
- (11) in the event of an effective resolution being passed for the voluntary winding-up of our Company, and if the Grantee immediately before such event had any subsisting option which had not been fully exercised, the Grantee may by notice in writing to our Company within one month after the date of such resolution elect to be treated as if the option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, with the rights same as the holders of Shares, such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof;
- (12) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have unexercised options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (aa) the option period; (bb) the period of two months from the date of such notice; and (cc) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his option. Except insofar as exercised in accordance with

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

this subparagraph all options outstanding at the expiry of the relevant period referred to in this sub-paragraph shall lapse. Our Company may then require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any Grantee to exercise an option on any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional condition, restriction or limitation imposed in relation to the particular option pursuant to the provisions of paragraph (f) and/or deem the right to exercise the option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular option such right shall not have then vested;

- (iv) the Shares to be allotted upon exercise of an option shall be subject to all the provisions of the Bye-laws in force from time to time and shall carry the same rights as then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the allotment date. Subject as aforesaid, no Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an option pursuant to the Share Option Scheme; and
- (v) our Company is entitled to refuse any exercise of an option if such exercise is not in accordance with the terms and conditions of the Share Option Scheme or the procedures for exercise of options established from time to time or if such exercise may cause to contravene or breach the Listing Rules, any applicable law, enactment or regulation for the time being in force in Hong Kong, Bermuda or any other jurisdiction, or any other rule or regulation governing the listing of the Shares on a stock exchange.

(i) **Lapse of options**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Company:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in sub-paragraph (h)(iii) above;
- (iii) subject to sub-paragraph (h)(iii)(11) above, the date of the commencement of the winding-up of our Company;
- (iv) there is an unsatisfied judgement, order or award outstanding against the Grantee or our Board has reason to believe that the Grantee is unable to pay or has no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong);

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

- (v) there are circumstances entitling any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (h)(iii)(8), (h)(iii)(9) or (i)(iv) above; or
- (vi) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any option, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

(j) Maximum number of Shares available for subscription

The maximum number of Shares to be issued upon exercise of all options which may be granted under the Share Option Scheme (and under any other post-IPO share option scheme of our Company) shall not in aggregate exceed 10% of the Shares in issue as at the Adoption Date (“**Scheme Mandate Limit**”), provided that our Company may at any time as our Board may think fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, except that the maximum number of Shares to be issued upon exercise of all options which may be granted under the Share Option Scheme (and under any other post-IPO share option scheme of our Company) shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Options previously granted under the Share Option Scheme and any other post-IPO share option scheme (including those outstanding, cancelled and lapsed in accordance with the terms and conditions of the Share Option Scheme or any other post-IPO share option scheme or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall issue a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders. In addition, our Company may seek separate approval from the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is obtained. Our Company shall issue a circular to the Shareholders containing the information required under Rule 17.03(3) of the Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (and under any other post-IPO share option scheme of our Company) shall not exceed 30% of the Shares in issue from time to time.

As at the Latest Practicable Date, there were 9,471,082,206 Shares in issue. Assuming that no further Share will be allotted, issued, repurchased or cancelled prior to the SGM, the total number of Shares that may fall to be allotted and issued under the Share Option Scheme after the resolution regarding the proposed adoption of the Share Option Scheme is passed at the SGM would be 947,108,220 Shares, representing approximately 10% of the total number of Shares in issue.

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The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his associates or close associates (as the case may be) abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

The maximum numbers set out in this paragraph (j) shall be subject to adjustment in accordance with paragraph (l) but shall not in any event exceed the limits imposed by Chapter 17 of the Listing Rules.

(k) Grant of options to core connected persons

Insofar as and for so long as the Listing Rules require, where any offer of an option is proposed to be made to a Director, chief executive of our Company or Substantial Shareholder or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is or whose associate is the Grantee to whom the option is proposed to be granted). Insofar and for so long as the Listing Rules so require, no option may be granted to any Substantial Shareholder or independent non-executive Director or any of their respective associates which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme (and under any other share option scheme of our Company) in the 12-month period up to and including the date of board meeting for proposing such further grant (i) representing in aggregate over 0.1% of the share capital of our Company in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million, unless such further grant is approved by the Shareholders in general meeting. Before seeking such approval, our Company shall issue a circular containing such information as required by the Listing Rules to the Shareholders. At such general meeting, the grant of options to the Substantial Shareholder or independent non-executive Director or any of their respective associates shall, for so long and insofar as the Listing Rules so required, be approved by the Shareholders by way of poll with the Grantee, his associates and all core connected persons of our Company abstaining from voting, except that any such person may vote against such resolution provided that he has informed our Company of his intention to do so and such intention has been stated in the relevant circular to the Shareholders.

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

(l) Cancellation of options

Our Board shall be entitled for the following causes to cancel any option in whole or in part by giving notice in writing to the Grantee stating that such option is thereby cancelled with effect from the date specified in such notice (“**Cancellation Date**”):

- (i) the Grantee commits or permits or attempts to commit or permit a breach of subparagraphs (d)(iv) or (h)(ii) above or any term or condition attached to the grant of the option;
- (ii) the Grantee makes a written request to our Board for, or agrees to, the option to be cancelled; or
- (iii) if the Grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or any member of our Group.

The option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels an option held by a Grantee and issues new options to the same Grantee, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled option) within the limits set out in paragraph (j) above.

(m) Reorganisation of capital structure

- (i) In the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital, our Board may direct that adjustments be made to the subscription price or the number of Shares subject to options already granted and to the Share Option Scheme.
- (ii) Any adjustments required under the immediately preceding paragraph (i) must give a Grantee the same proportion of the equity capital as that to which that he/she was previously entitled, but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value.
- (iii) The issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalization issue, an independent financial adviser or the Company’s auditor must confirm to the Directors in writing that the adjustments satisfy the requirements set out in this paragraph (m) and such other requirement prescribed under the Listing Rules from time to time.

APPENDIX - SUMMARY OF THE RULES OF THE SHARE OPTION SCHEME

(n) Share capital

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of options.

(o) Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares, the subject of an option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisers (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

(p) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of our Board, except that the following shall not be carried out except with the prior approval of the Shareholders by an ordinary resolution in a general meeting:

- (i) any material alteration of the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);
- (ii) any alteration of the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules;
- (iii) any change to the authority of our Directors in relation to any alteration of the terms of the Share Option Scheme; or
- (iv) any alteration to this paragraph (q),

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules.

(q) Termination of the Share Option Scheme

Our Company may by a resolution of the Shareholders in general meeting at any time terminate the operation of the Share Option Scheme. Upon expiry or termination of the Share Option Scheme, no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted before such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

NOTICE OF SGM



四环医药
SihuanPharm

SIHUAN PHARMACEUTICAL HOLDINGS GROUP LTD.

四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the special general meeting of Sihuan Pharmaceutical Holdings Group Ltd. (the “**Company**”) will be held at Room 4905, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 24 October 2017 at 3 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:

ORDINARY RESOLUTION

“**THAT** the share option scheme of the Company (the “**Share Option Scheme**”), the rules of which are presented at the meeting and, for the purpose of identification, signed by the chairman of the meeting and summarized in the circular of the Company dated 9 October 2017, be hereby approved and adopted and the directors of the Company be and are hereby authorized to do all such acts and to entered 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 without limitation:

- (a) administering, modifying, interpreting the Share Option Scheme and granting options under the Share Option Scheme;
- (b) modifying and/or amending the rules of 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 and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”);
- (c) issuing and allotting 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 granted under the Share Option Scheme; and

NOTICE OF SGM

- (d) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may from time to time be issued and allotted pursuant to the exercise of the Options granted under the Share Option Scheme.”

Yours faithfully,
By Order of the Board
Sihuan Pharmaceutical Holding Group Ltd.
Che Fengsheng
Chairman and Executive Director

Hong Kong, 9 October 2017

Notes:

- (i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company.
- (ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (iv) The transfer books and register of members will be closed from Thursday, 19 October 2017 to Tuesday, 24 October 2017, both days inclusive in order to determine the entitlement of shareholders to attend and vote at the above meeting, during which period no share transfers can be registered. In order to qualify for attending and voting at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 18 October 2017.