



China HealthCare Holdings Limited

中國衛生控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 673)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of China HealthCare Holdings Limited (the “**Company**”) will be held at Rooms 1001-2, 10/F., Man Yee Building, 68 Des Voeux Road Central, Hong Kong, at 10:00 a.m. on 10 July 2006 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary and special resolutions of the Company:

ORDINARY RESOLUTIONS

1. **THAT:**

- (a) the authorised share capital of the Company of HK\$1,500,000,000 comprising 5,000,000,000 ordinary shares of HK\$0.10 each (the “**Ordinary Shares**”) and 100,000,000 non-voting preference shares of HK\$10 each be altered and reduced as follows:

(aa) by cancelling the authorised but unissued 100,000,000 non-voting preference shares; and

(bb) by the creation of 15,000 redeemable cumulative convertible preference shares of US\$0.01 each (the “**Preference Shares**”), with the respective rights and privileges and subject to the restrictions set out in the Bye-laws of the Company as amended by resolution no. 6 below.

to an aggregate of HK\$500,000,000 comprising 5,000,000,000 Ordinary Shares and US\$150 comprising 15,000 Preference Shares.

- (b) the subscription agreement (the “**Subscription Agreement**”) entered into between the Company and OZ Asia Master Fund, Ltd., OZ Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P. and Fleet Maritime, Inc., dated 5 April, 2006 in relation to the subscription of Preference Shares of up to an aggregate amount of US\$15,000,000, a copy of the Subscription Agreement having been produced to the meeting and initialled by the chairman of the meeting for the purposes of identification, and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (c) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the approval for the issue of the Preference Shares (if required) and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares issuable upon the exercise of the conversion rights attaching to the Preference Shares in accordance with Bye-law 9A as detailed in resolution no. 6 below, the allotment and issue of the Preference Shares pursuant to the terms of the Subscription Agreement, and any Shares which may fall to be issued upon the exercise of the conversion rights attaching to the Preference Shares and the transactions contemplated thereby be and are hereby approved; and
- (d) any one or more directors of the Company be and are hereby authorised to allot and issue the Preference Shares in accordance with the terms of the Subscription Agreement and any Shares issuable upon the exercise of the conversion rights attaching to the Preference Shares and to do all such further acts and things and execute such further documents and take all steps which, in his (or their) opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of, and all transactions contemplated under the Subscription Agreement for and on behalf of the Company and to approve any changes and amendments thereto as he (or they) may consider necessary, desirable or expedient.”

2. **THAT, PROVIDED** that on the date the redemption of any Preference Shares is to occur, there are no reasonable grounds for believing that the Company is, or after the redemption would be, unable to pay its liabilities as they become due (which matters and such other matters as may be applicable, shall be considered and determined by the Board at the relevant time),
 - (a) the redemption of such number of Preference Shares as required by the Subscribers in accordance with Bye-law 9A(8), be and is hereby approved;
 - (b) the payment of the par value on the Preference Shares out of the capital paid up thereon or out of the funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purposes of the redemption, be and is hereby approved; and
 - (c) the payment of the premium for the redemption out of the Company's share premium account and/or funds of the Company which would otherwise be available for dividend or distribution, be and is hereby approved.
3. **THAT**, a reserve account (the "**Conversion Reserve Account**") be set up and credited with such sums as may be sufficient to pay up on the Conversion Shares to be issued upon the conversion of any of the Preference Shares.
4. **THAT**, upon exercise of the conversion rights under the Preference Shares in accordance with Bye-law 9A(6), the issue of such number of Ordinary Shares, the application of the par value of such Ordinary Shares out of the Conversion Reserve Account and crediting towards the paid up capital for such Ordinary Shares, and the issue of such fully-paid Ordinary Shares to the Subscribers, be and is hereby approved.
5. **"THAT:**
 - (a) the sale and purchase agreement ("**Sale and Purchase Agreement**", entered into between Mr. Hou Shu Ming and 盤錦鋒源科技投資有限公司 (Panjinfenyuan Technology Investment Limited) as vendors (collectively, the "**Vendors**") and Success Gateway Investments Limited, a wholly-owned subsidiary of the Company as purchaser (the "**Purchaser**"), dated 6 April 2006 whereby, the Purchaser conditionally agreed to purchase from the Vendors an aggregate of 70% of the existing issued share capital of Shanghai Harvest Network Technology Co. Ltd. ("**Target**") at a total consideration of HK\$36.4 million, of which HK\$18 million shall be satisfied in cash and HK\$18.4 million shall be satisfied by the issuance of the convertible notes of a principal amount of HK\$18.4 million ("**Convertible Notes**"), at an initial conversion price of HK\$1.16 per share (subject to adjustments), a copy of which has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
 - (b) the issue of the Convertible Notes in accordance with the terms and conditions the Sale and Purchase Agreement and the transactions contemplated thereunder be and are hereby approved; and
 - (c) the directors of the Company be and are hereby authorized to allot and issue the ordinary shares of HK\$0.10 each in the share capital of the Company upon the exercise of the conversion rights attaching to the Convertible Notes and to do all such acts and things and execute such further documents and take all steps which, in his (or their) opinion may be necessary, desirable and expedient to implement and/or give effect to the terms of, and all transactions contemplated under the Sale and Purchase Agreement for and on behalf of the Company and to approve any changes and amendments thereto as he (or they) may consider necessary, desirable or expedient."

SPECIAL RESOLUTION

6. **THAT**, subject to the passing of resolution no. 1 above, the Bye-laws be and are hereby amended in the following manner:

By deleting the existing Bye-law 3(1) in its entirety and replacing therefore with the following new Bye-law 3(1):

"As at the date of adoption of this Bye-law, the share capital of the Company is divided into ordinary shares of HK\$0.10 each and redeemable cumulative convertible preference shares of US\$0.01 each (the "**Preference Shares**"). The Preference Shares shall confer on the holders thereof the respective rights and privileges and be subject to the respective restrictions as set out in Bye-law 9A".

By replacing the existing Bye-law 9A in its entirety with the following new Bye-law 9A:

Redeemable Convertible Cumulative Preference Shares

1. Definitions

For the purpose of this Bye-law 9A, the following terms shall have the following meanings:

“Affiliates”	means in relation to a particular company, any company or other person or entity which directly, or indirectly through one or more intermediaries, Controls or is Controlled by, or is under the common Control with, the company specified;
“Alternative Stock Exchange”	any stock exchange other than the Hong Kong Stock Exchange on which the Ordinary Shares, if not then listed on the Hong Kong Stock Exchange, are listed;
“Business Day”	a day (excluding Saturday) on which licensed banks are generally open for business in Bermuda, Hong Kong and the United States of America;
“Control”	means: (a) the power (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) to appoint and/or remove all or such of the members of the board of directors or other governing body of a person as are able to cast a majority of the votes capable of being cast by the members of that board or body on all, or substantially all, matters, or otherwise to control or have the power to control the policies and affairs of that person; and/or (b) the holding and/or possession of the beneficial interest in and/or the ability to exercise the voting rights applicable to shares or other securities in any person (whether directly or by means of holding such interests in one or more other persons) which confer in aggregate on the holders thereof more than 50% of the total voting rights exercisable at general meetings of that person on all, or substantially all, matters;
“Conversion Date”	the Business Day immediately following the date of surrender of the certificate in respect of the Preference Shares and delivery of an effective Conversion Notice pursuant to Bye-law 9A(6);
“Conversion Event”	the conversion of Preference Shares by a Preference Shareholder pursuant to Bye-law 9A(6)(a);
“Conversion Notice”	a notice served by any Preference Shareholder from time to time stating that such Preference Shareholder wishes to exercise the Conversion Right in respect of one or more Preference Shares;
“Conversion Period”	in relation to any Preference Share, the period commencing on the Issue Date and ending on the Maturity Date;
“Conversion Price”	as of any Conversion Date, the lower of (a) the Initial Conversion Price, as adjusted from time to time in accordance with Bye-law 9A(10) and (b) the Volume-Weighted Average Price of the Ordinary Shares for the twenty Trading Days ending on the day immediately preceding the date of a relevant Conversion Notice multiplied by a factor of 0.90x, in each case converted into US dollars at the rate of US\$1.00 to HK\$7.76;
“Conversion Rate”	the rate for conversion of the Preferred Shares into Ordinary Shares as determined in accordance with Bye-law 9A(6)(c);
“Conversion Right”	the right, subject to the provisions of Bye-law 9A(6), of Preference Shareholders to convert any Preference Share into Ordinary Shares;
“Converting Shareholder”	a Preference Shareholder all or some of whose Preference Shares are being or have been converted into Ordinary Shares;

“Days Outstanding”	the number of days from, and including the Issue Date to, but excluding the date fixed for redemption of a Preference Shares, calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed;
“Dividend”	in relation to each Preference Share, a fixed cumulative preferential cash dividend in US dollars payable semi-annually thereon to its holder at the rate of 5% per annum on the Reference Amount, which shall be reduced to 2% per annum on the Reference Amount if and for so long as none of the events referred to in Bye-law 9A(8)(b)(i) through (x) shall have occurred;
“Early Redemption Amount”	in relation to each Preference Share, its Reference Amount plus a premium expressed in US dollars and rounded up to the nearest US cent determined in accordance with the following formula: $(US\$1,000+D) \times 1.2^n$ where D = accrued but unpaid Dividend to the date fixed for redemption of the relevant Preference Shares n = the number of Days Outstanding divided by 360
“Group”	the Company and its subsidiaries; and the expression “ member of the Group ” shall be construed accordingly;
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Financial Adviser”	an independent investment bank of international repute reasonably selected by the Company and acting as an expert;
“Initial Conversion Price”	HK\$1.16, as adjusted from time to time in accordance with Bye-law 9A(10);
“Issue Date”	the date of allotment and issue of the Preference Shares;
“Maturity Date”	the date falling on the fifth anniversary of the Issue Date (or such later date, not being later than the seventh anniversary of the Issue Date) as may be agreed in writing between the Company and the Preference Shareholders), or if such date is not a Business Day, the Business Day immediately following such date;
“Ordinary Shares”	ordinary shares of HK\$0.10 each in the capital of the Company or, if there has been a sub-division, consolidation, re-classification or re-construction of the ordinary share capital of the Company, such ordinary shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction;
“Other Pari Passu Shares”	shares ranking pari passu as regards dividends with the Preference Shares;
“Parties”	the named parties to the Subscription Agreement and their respective successors and permitted assigns and “ Party ” means either one of them as the context may indicate;
“PRC”	the Peoples’s Republic of China but excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;

“Preference Shares”	the unlisted redeemable convertible cumulative preference shares of US\$0.01 each in the capital of the Company, the rights of which are set out in Bye-law 9A;
“Preference Shareholder”	a person registered from time to time in the register of members of the Company as a holder of Preference Share(s);
“Record Date”	the date and time by which a subscriber or transferee of securities of the class in question would have to be registered in order to participate in the relevant distribution or rights;
“Redemption Date”	the date on which the Preference Shares are redeemed or are to be redeemed by the Company pursuant to the provision of Bye-law 9A(8);
“Reference Amount”	US\$1,000;
“Register”	has the meaning given to it in Bye-law 9A(9)(a);
“SFC”	the Securities and Futures Commission of Hong Kong;
“Shares”	shares in the capital of the Company (being the Ordinary Shares and the Preference Shares);
“Subscribers”	OZ Asia Master Fund, Ltd., OZ Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P. and Fleet Maritime, Inc. all c/o OZ Management, L.L.C. 9 W. 57 Street, 39th Floor, New York, NY 10019;
“Subscription Agreement”	the Subscription Agreement for Redeemable Convertible Cumulative Preference Shares dated 5 April, 2006 (as supplemented or amended from time to time) entered into between the Company and the Subscribers;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Trading Day”	any day on which the Hong Kong Stock Exchange (or the Alternative Stock Exchange, as the case may be) is open for the business of dealing in securities;
“US\$”, “US dollars” or “US cents”	United States dollars or cents, the lawful currency of the United States of America; and
“Volume-Weighted Average Price”	means, in respect of an Ordinary Share, the volume-weighted average of the prices published in the Hong Kong Stock Exchange’s Daily Quotations Sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) for Ordinary Shares for the most recent twenty Trading Days prior to the date of a relevant Conversion Notice on which a closing price was reported by the Hong Kong Stock Exchange (or, as the case may be, the Alternative Stock Exchange) for the Ordinary Shares; provided that only those Trading Days where the daily volume exceeds 30,000 Ordinary Shares shall be included in the said twenty Trading Days, and provided further, that if at any time during the said twenty Trading Days the Ordinary Shares shall have been quoted ex-dividend and during some other part of that period, the Ordinary Shares shall have been quoted cum-dividend then: <p style="margin-left: 40px;">(a) if the Ordinary Shares to be issued upon conversion of the relevant Preference Shares do not rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share; and</p>

- (b) if the Ordinary Shares to be issued upon conversion of the relevant Preference Shares rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount for that dividend per Ordinary Share, and provided that if the Ordinary Shares on each of the said twenty Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Ordinary Shares to be issued upon conversion of the relevant Preference Shares do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share.

2. Dividend

- (a) Subject to the Act, each Preference Share shall confer on the holder thereof the right to receive out of the funds of the Company available for distribution and resolved to be distributed the Dividend pari passu with Other Pari Passu Shares but otherwise in priority to any other class of shares in the capital of the Company from time to time in issue (including the Ordinary Shares).
- (b) The Dividend shall be cumulative and payable in US dollars semi-annually in arrears on 30 June and 31 December in each year, shall accrue from day to day and shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed on the basis of a 30 day month. The first Dividend shall be payable on 31 December 2006 and any Dividend that has accrued prior to the Conversion Date but remains unpaid on the Conversion date shall be payable upon the Conversion Date, provided that without prejudice to the rights of the Preference Shareholders hereunder and subject to compliance with the Act, any unpaid Dividend shall accrue as a debt due by the Company to the Preference Shareholder and be repayable on demand which shall bear interest at the rate of 5% per annum from the date when such Dividend is due and payable to the date when such Dividend is paid in full together with interest thereon to the Preference Shareholder.
- (c) No dividend shall be paid to the holders of the Ordinary Shares unless and until:
 - (i) any outstanding Dividend has been paid in full; and
 - (ii) all Preference Shares which have fallen due for redemption have been redeemed.
- (d) To the extent that such Dividends are not paid on the Preference Shares and/or any Other Pari Passu Shares, they shall accumulate and any such arrears of Dividend shall be payable to the Preference Shareholders and/or to the holders of any Other Pari Passu Shares, pari passu as between themselves, in preference to any other distribution in respect of any other class of shares (including the Ordinary Shares). The Preference Shares shall not entitle the holders thereof to any further or other right of participation in the profits of the Company.
- (e) Notwithstanding the generality of the foregoing and subject to Bye-law 9A(6) and (8), in any conversion or redemption of Preference Shares the Preference Shareholders shall be entitled to a pro rata portion of such Dividend that has accrued thereon up to the date immediately prior to the service of a Conversion Notice or the payment date of the redemption amount (as the case may be).

3. Distribution of Assets

On a distribution of assets on liquidation, winding-up or dissolution of the Company or otherwise (but not on conversion or redemption of Preference Shares or any repurchase by the Company of Preference Shares or Ordinary Shares), the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority:

- (a) first, in paying to the Preference Shareholders and the holders of any Other Pari Passu Shares, pari passu as between themselves, a sum equal to any arrears and accruals of the Dividend payable respectively on such Preference Shares and such Other Pari Passu Shares to be calculated down to and inclusive of the date of the distribution of assets and to be payable whether or not any of such dividends have been declared and whether or not the Company has sufficient funds available for dividend or distribution;

- (b) secondly, in paying to the Preference Shareholders (pro rata to the aggregate of the Reference Amounts of the Preference Shares held by each such holder), pari passu as between themselves and the holders of any Other Pari Passu Shares as regards repayment of amounts paid-up or credited as paid-up on such shares, an amount equal to the aggregate of the Reference Amounts of all of the Preference Shares and the premium payable on redemption thereof and the amounts paid-up or credited as paid-up on any Other Pari Passu Shares and any premium payable on redemption thereof; and
- (c) thirdly, the balance of such assets shall belong to and be distributed among the holders of any class of shares in the capital of the Company, other than the Preference Shares and any other shares not entitled to participate in such assets, in accordance with the respective rights attaching thereto. The Preference Shares shall not confer on the holders thereof the right to participate in such surplus assets.

4. Ranking of the Preference Shares

The Company shall not (unless such sanction has been given by the Preference Shareholders as would be required for a variation of the special rights attaching to the Preference Shares or unless otherwise provided in the Bye-laws) create or issue any shares ranking, as regards order in the participation in the profits of the Company or in the assets of the Company on a winding-up or otherwise, senior and in priority to the Preference Shares, but the Company may issue, without obtaining the consent of the Preference Shareholders, shares ranking pari passu with the Preference Shares as regards order of such participation in profits or assets and carrying such rights as to rates of dividend, voting (subject as provided under Bye-law 9A(12) below), redemption, conversion, exchange or otherwise as the Directors may determine, or as the Company may by ordinary resolution determine. Save as provided in this Bye-law 9A, each Preference Share shall have the same rights as each of the Ordinary Shares.

5. Voting

- (a) Except as provided in Bye-law 9A(12)(a)(vii), the Preference Shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, a general meeting of the Company, unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights or privileges of the Preference Shareholders, in which event the Preference Shares shall confer on the holders thereof the rights to receive notice of, and to attend and vote at, that general meeting, save that such holders may not vote upon any business dealt with at such general meeting except the election of a Chairman, any motion for adjournment and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) so vary or abrogate the rights and privileges of the Preference Shareholders.
- (b) Where Preference Shareholders are entitled to vote on any resolution then, at the relevant general meeting or class meeting, on a show of hands every Preference Shareholder who is present in person or (being a corporation) by a representative shall have one vote and on a poll every Preference Shareholder who is present in person or by proxy or attorney or (being a corporation) by a representative shall have one vote for each Ordinary Share into which each Preference Share held by him would be converted if the Conversion Date for such Preference Share were the date 48 hours preceding the date of such general meeting or class meeting.

6. Conversion

(a) Optional conversion

The Preference Shares shall be convertible at the option of the Preference Shareholder, at any time during the Conversion Period any without the payment of any additional consideration therefor, into such number of fully-paid Ordinary Shares as determined in accordance with the then effective Conversion Rate. Notwithstanding the generality of the foregoing in respect of any conversion of Preference Shares, the Preference Shareholders shall be entitled to a pro rata portion of such Dividend that has accrued thereon up to the date immediately prior to the service of a Conversion Notice on the Company to require the Company to convert such Preference Shares to Ordinary Shares.

(b) Number of Ordinary Shares issuable upon conversion

The number of Ordinary Shares to which a holder of Preference Shares shall be entitled upon conversion following a Conversion Event shall be the number obtained by multiplying the Conversion Rate then in effect by the number of Preference Shares being converted.

(c) Conversion Rate

The Conversion Rate of each Preference Share shall be determined by dividing the Reference Amount of each Preference Share by the Conversion Price in effect at the time of conversion provided that the Conversion Price shall not be less than the then subsisting nominal value of an Ordinary Share into which such Preference Share is convertible.

(d) Mechanism for conversion

- (i) Any Preference Shareholder who wishes to convert one or more Preference Shares held by it pursuant to Bye-law 9A(6)(a) shall deliver to the Company at its principal place of business in Hong Kong a Conversion Notice. The Conversion Notice shall be deemed to have been sufficiently served within 5 Business Days of posting if sent by registered post.
- (ii) The relevant Preference Shareholder shall deliver to the Company at its principal place of business in Hong Kong the certificate(s) evidencing the Preference Shares to be converted or, if such certificates have been lost or destroyed, such evidence of title as the Company may reasonably require, within 5 Business Days from the date of service of the Conversion Notice given by such Preference Shareholder pursuant to Bye-law 9A(6)(d)(i) above.
- (iii) Upon delivery of the certificate(s) evidencing the Preference Shares to be converted by the holder thereof to the Company, the Company shall promptly and, in any event no later than 2 Business Days after the date of receipt of such certificate(s):
 - (1) issue and deliver to such holder (a) certificate(s) for the number of Ordinary Shares into which the Preference Shares are converted in the name as shown on the certificate(s) evidencing the Preference Shares so surrendered to the Company; or
 - (2) cause to be credited into the relevant Preference Shareholder's brokers' account such number of Ordinary Shares into which the Preference Shares are converted,

in each case together with cash in lieu of any fraction of an Ordinary Share in accordance with Bye-law 9A(7).

(e) Sufficient authorized share capital

The Company shall ensure that at all times there is a sufficient number of unissued Ordinary Shares in its authorized share capital to be issued in satisfaction of the conversion rights of Preference Shares pursuant to Bye-law 9A(6)(a).

7. Fraction of Shares

- (a) No fraction of an Ordinary Share arising on conversion will be allotted to the Converting Shareholder of the relevant Preference Share(s) otherwise entitled thereto but such fractions will, when practicable, be aggregated and sold and the net proceeds of sale will then be distributed pro rata among such holders unless in respect of any holding of relevant Preference Shares the amount to be so distributed would be less than US\$10 (or its equivalent in another currency at a prevailing exchange rate selected by the Directors), in which case such amount will not be so distributed but will be retained for the benefit of the Company. Unless otherwise agreed between the Company and a Converting Shareholder, if more than one Preference Share shall fail to be converted pursuant to any one Conversion Notice, the number of Ordinary Shares to be issued upon conversion shall be calculated on the basis of the aggregate Reference Amount of the relevant Preference Shares. For the purpose of implementing the provisions of this sub-paragraph, the Company may appoint some person to execute transfers, renunciations or other documents on behalf of persons entitled to any such fraction and generally may make all arrangements which appear to it to be necessary or appropriate for the settlement and disposal of fractional entitlements.

- (b) In the event of a consolidation or re-classification of Ordinary Shares by operation of law or otherwise occurring after 5 April 2006 which reduces the number of Ordinary Shares outstanding, the Company will upon conversion pay in cash (in US dollars by means of a US dollar cheque drawn on a bank in New York City) a sum equal to such portion of the Reference Amount of the Preference Share or Preference Shares evidenced by the certificate deposited in connection with the exercise of Conversion Rights as corresponds to any fraction of a Ordinary Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds US\$10.

8. Redemption

(a) *Redemption at Maturity*

Subject to the Act and to any other legislation applicable to the Company, the Company shall redeem each Preference Share then outstanding on the Maturity Date at a redemption amount equal to the Early Redemption Amount therefor PROVIDED THAT if none of the events referred to in Bye-law 9A(8)(b)(i) through (x) shall have occurred on or before the Maturity Date, the Company shall redeem each Preference Share then outstanding on the Maturity Date at a redemption amount equal to the aggregate of the Reference Amount and the pro rata portion of Dividend that has accrued and is unpaid from day to day thereon up to the date immediately prior to the Maturity Date.

(b) *Special Redemption*

So long as the aggregate number of Preference Shares outstanding would, if converted, amount to 5% or more of the total issued Ordinary Shares (including the Ordinary Shares deemed to be issued upon conversion of such Preference Shares), a Preference Shareholder shall have the right at any time and from time to time, by notice in writing to the Company, to require the Company to redeem all or any of the then outstanding Preference Shares held by it, whereupon subject to the requirements of the Act, the Company shall pay to the Preference Shareholder within 5 Business Days from receipt of such notice or the earliest date permitted under the Act, whichever is later, a redemption amount equal to the Early Redemption Amount of such number of Preference Shares so redeemed; provided, however, that a Preference Shareholder may exercise such right prior to the Maturity Date only following the occurrence of any of the following event:

- (i) any consolidation, amalgamation or merger of the Company with any other corporation which results in the Company ceasing to exist as an independent legal entity or any sale of all or substantially all of the assets of the Company or any reorganization or any other transaction where there is or which will result in a change in control (as defined in the Takeovers Code) of the control of the Company;
- (ii) material default by the Company or any of its subsidiaries in the performance, observance or fulfilment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which any of them is a party and, if such default is capable of being remedied, fails to remedy such default within 10 days of being required in writing to do so by any of the Preference Shareholders;
- (iii) the persons who are Directors on the Issue Date or persons appointed to act as Directors in their stead (the “**Replacement Directors**”), with the approval of all of the other persons who are acting as Directors at the time of appointment of the Replacement Directors, cease to represent a majority in number of the persons acting as Directors at the relevant time;
- (iv) the acceleration of the maturity of any other present or future indebtedness of the Company or any of its subsidiaries exceeding US\$1,500,000 in aggregate principal amount outstanding (or its equivalent in any other currency) by reason of an event of default (as described and specified therein) or any such indebtedness exceeding US\$1,500,000 (or its equivalent in any other currency) is not paid within any applicable grace period provided for or, if none, on the due date therefor;
- (v) a Director’s resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a material part of its business or assets;

- (vi) an effective resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a material part of its business or assets; a petition is presented or a proceeding is commenced for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a substantial part of its business or assets and is not discharged within 5 days; if the Company stop or suspends payments to its creditors generally or is unable or admits its inability to pay its debts as they fall due or seeks to enter into any composition or other arrangement with its creditors or is declared or becomes bankrupt or insolvent; or if a creditor takes possession of all or a material part of the business or assets of the Company or any execution or other legal process is enforced against the business or any substantial asset of the Company and is not discharged within 5 days;
- (vii) the listing or trading of the Ordinary Shares on the Hong Kong Stock Exchange (or the Alternative Stock Exchange, as the case may be) is revoked, withdrawn or suspended for a continuous period of 15 Trading Days;
- (viii) material breach by the Company of any of its representations, warranties, covenants or undertakings in the Subscription Agreement and, if such breach is capable of being remedied, fails to remedy such breach within 10 days of being required in writing to do so by any of the Preference Shareholders;
- (ix) material breach by the Company of any of the covenants or undertakings as set forth in By-law 9A(12) and, if such breach is capable of being remedied, fails to remedy such breach within 10 days of being required in writing to do so by any of the Preference Shareholders; or
- (x) the auditors of the Company issue a qualified opinion in respect of any audit report of the Company.

(c) *Mechanism for redemption*

On each Redemption Date, each Preference Shareholder shall deliver to the Company the certificate(s) for the Preference Shares to be redeemed and the Company shall cancel the same. If any certificate so delivered to the Company includes any Preference Shares not falling to be redeemed on the relevant Redemption Date, the Company shall without charge issue a certificate for the balance of any unredeemed Preference Shares to the holder or holders thereof.

(d) *Redemption subject to laws*

If on the Redemption Date, the number of Preference Shares that may be legally redeemed by the Company is less than the number of Preference Shares to be redeemed, then a redemption of the number of Preference Shares which can be legally redeemed shall be made amongst the relevant holders thereof pro rata as nearly as possible to their then holdings of Preference Shares and in respect of the balance of the cumulative dividend payable thereafter shall be 5% per annum payable semi-annually and calculated on the redemption at Maturity amount which is equal to the aggregate of the Reference Amount and the pro rata portion of Dividend that has accrued and is unpaid from day to day thereon up to the date immediately prior to the Maturity Date or the Early Redemption Amount, where applicable. Any unredeemed Preference Shares shall be redeemed as soon after such Redemption Date as is permitted by law and such redemption shall be made amongst the relevant holders thereof pro rata as nearly as possible to their then holdings of Preference Shares.

9. Registration

- (a) The Company shall maintain and keep a full and complete register (“**Register**”) at such location in Bermuda as it shall from time to time determine of the Preference Shares and the Preference Shareholders from time to time and recording any transfer, purchase, conversion and/or cancellation of the Preference Shares and the destruction of any replacement certificate in respect of the Preference Shares issued in substitution for any mutilated, defaced, lost, stolen or destroyed certificate in respect of the Preference Shares and of sufficient identification details of all Preference Shareholders from time to time holding the Preference Shares.

- (b) As soon as practicable, and in any event not later than 2 Business Days after the Conversion Date, the Company will, register or procure that its agent register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Ordinary Shares in the Register and will mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any property required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.
- (c) Preference Shares which are converted will be cancelled by removal of the holder's name from the Register on the relevant Registration Date (as defined in Bye-law 9A(9)(e) below).
- (d) If the Registration Date in relation to any Preference Share shall be on or after a date with effect from which an adjustment to the Initial Conversion Price takes retroactive effect pursuant to any of the provisions referred to in this Bye-law and the relevant Registration Date falls on a date when the relevant adjustment has not yet been reflected in the then current Conversion Price, the Company will procure that the provisions of Bye-law 9A(9)(b) above shall be applied mutatis mutandis to such number of Ordinary Shares as is equal to the excess of the number of Ordinary Shares which would have been required to be issued on conversion of such Preference Share if the relevant retroactive adjustment had been given effect as at the said Registration Date over the number of Ordinary Shares previously issued (or which the Company was previously bound to issue) pursuant to such conversion, and in such event and in respect of such number of Ordinary Shares references to the Conversion Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively).
- (e) The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Ordinary Shares issuable upon conversion with effect from the date he is or they are registered as such in the Register (the **"Registration Date"**). Save as set out in this Bye-law 9A(9), a holder of Ordinary Shares issued on conversion of Preference Shares shall not be entitled to any rights the Record Date for which precedes the relevant Registration Date.

If the Record Date for the payment of any dividend or other distribution in respect of the Ordinary Shares is on or after the Conversion Date in respect of any Preference Share, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in Bye-law 9A(9)(d) above prior to the time such retroactive adjustment shall have become effective), the Company will pay to the Converting Shareholder or his designee an amount (the **"Equivalent Amount"**) in Hong Kong dollars equal to any such dividend or other distribution to which he would have been entitled had he on that Record Date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a Hong Kong dollar cheque drawn on a branch of a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice.

10. Conversion Adjustments

- (a) The Initial Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of Bye-law 9A(10)(a)(i) to (vii) inclusive, it shall fall within the first of the applicable clauses to the exclusion of the remaining clauses:
 - (i) if and whenever the Ordinary Shares by reason of any consolidation or sub-division or reclassification become of a different nominal amount, the Initial Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division or reclassification becomes effective;
 - (ii) if and whenever the Company shall:
 - (1) issue (other than in lieu of a cash dividend) any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account); or

- (2) issue Ordinary Shares paid out of distributable profits or reserves and/or share premium accounts issued in lieu of the whole or any part of a cash dividend, being a dividend which the holders of the Ordinary Shares concerned would or could otherwise have received but only to the extent that the market value of such Ordinary Shares exceeds 110% of the amount of dividend which holders of the Ordinary Shares could elect to or would otherwise receive in cash and which would not have constituted a capital distribution (as defined in Bye-law 9A(10)(b)) (for which purpose the “**market value**” of an Ordinary Share shall mean the average of the closing prices published in the Hong Kong Stock Exchange’s Daily Quotation Sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) for one Ordinary Share for the 5 Trading Days ending on the last Trading Day immediately preceding the last day on which holders of Ordinary Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash); then the Initial Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Ordinary Shares immediately before such issued and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Ordinary Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate, respectively) from the commencement of the day next following the record date for such issue;
- (iii) if and whenever the Company shall make any capital distribution to holders (in their capacity as such) of Ordinary Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Initial Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying by the following fraction:

$$\frac{A-B}{A}$$

where:

- A = the closing price published in the Hong Kong Stock Exchange’s Daily Quotation Sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) in respect of one Ordinary Share on the Trading Day immediately preceding the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) immediately preceding the date of the capital distribution or, as the case may be, of the grant; and
- B = the fair market value on the day of such announcement or failing any such announcement, the date of the capital distribution or the grant, as the case may be, as determined in good faith by the Independent Financial Adviser, of the portion of the capital distribution or of such rights which is/are attributable to one Ordinary Share,

Provided that:

- (1) if, in the opinion of the relevant Independent Financial Adviser, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the closing price published in the Hong Kong Stock Exchange’s Daily Quotation Sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) of one Ordinary Share which should properly be attributed to the value of the capital distribution or rights; and

(2) this Bye-law 9A(10)(a)(iii) shall not apply in relation to the issue of Ordinary Shares paid out of profits or reserves and issued in lieu of a cash dividend. Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day following the record date for the capital distribution or grant;

(iv) If and whenever the Company shall offer to all holders of Ordinary Shares new Ordinary Shares for subscription by way of rights, or shall grant to all holders of Ordinary Shares any options or warrants to subscribe for new Ordinary Shares, at a price per new Ordinary Share which is less than 90% of the market price at the date of the announcement of the terms of the offer or grant (whether or not such offer to grant is subject to the approval of the holders of Ordinary Shares or other persons), the Initial Conversion Price shall be adjusted by multiplying the Initial Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G+H}{G+I}$$

where:

G = the number of Ordinary Shares in issue immediately before the date of such announcement;

H = the number of Ordinary Shares which the aggregate of the two following amounts would purchase at such market price:

(1) the total number (if any) payable to the rights, options or warrants being offered or granted; and

(2) the total amount payable for all of the new Ordinary Shares being offered for subscription or comprised in the rights, options or warrants being granted; and

I = the aggregate number of Ordinary Shares being offered for subscription or comprised in the rights, options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant.

(v) (1) If and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Ordinary Shares, and the total Effective Consideration per new Ordinary Share initially receivable for such securities is less than the Initial Conversion Price at the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Ordinary Shares or other persons), the Initial Conversion Price shall be adjusted to a price equal to the total Effective Consideration per new Ordinary Share initially receivable for such securities.

Such adjustment shall become effective (if appropriate retroactively) from the close of business on the Business Day immediately preceding whichever to the earlier of the date on which the issue is announced and the date on which the issuer of the relevant securities determines the conversion or exchange rate or subscription price in respect of such securities.

- (2) If and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned Bye-law 9A(10)(a)(v)(1) are modified so that the total Effective Consideration per new Ordinary Share initially receivable for such securities shall be less than the Initial Conversion Price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Initial Conversion Price shall be adjusted to a price equal to the total Effective Consideration per new Ordinary Share receivable for such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

- (3) For the purposes of this Bye-law 9A(10)(a)(v)(3):

(aa) the **“total Effective Consideration”** receivable for the securities issued shall be deemed to be the aggregate consideration receivable by the issuer for such securities for the issue thereof plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto; and

(bb) the **“total Effective Consideration per new Ordinary Share”** initially receivable for such securities shall be such aggregate consideration divided by the maximum number of new Ordinary Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial subscription price, in each case, without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.

- (vi) If and whenever the Company shall issue wholly for cash any Ordinary Shares at a price per Ordinary Share which is less than the Initial Conversion Price at the date of the announcement of the terms of such issue, the Initial Conversion Price shall be adjusted to a price equal to the price per Ordinary Share at which such Ordinary Shares are issued.

Such adjustment shall become effective on the date of the issue.

- (vii) If any whenever the Company makes an offer or invitation to holders of Ordinary Shares to tender for sale to the Company any Ordinary Shares or if the Company shall purchase any Ordinary Shares or securities convertible into Ordinary Shares or any rights to acquire Ordinary Shares (excluding any such purchase made on the Hong Kong Stock Exchange or any Alternative Stock Exchange, as the case may be) and the board of directors considers that it may be appropriate to make an adjustment to the Initial Conversion Price, at that time the board of directors of the Company shall appoint the Independent Financial Adviser to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Initial Conversion Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if the Independent Financial Adviser shall consider in its opinion that it is appropriate to make an adjustment to the Initial Conversion Price, an adjustment to the Initial Conversion Price shall be made in such manner as the Independent Financial Adviser shall certify to be, in its opinion, appropriate. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding the date on which such purchases by the Company are made.

(b) For the purposes of Bye-law 9A(10)(a):

“announcement” shall include the release of an announcement to the press or the delivery or transmission by telephone, telex, facsimile transmission or otherwise of an announcement to the Hong Kong Stock Exchange (or the Alternative Stock Exchange, as the case may be), **“date of announcement”** shall mean the date on which the announcement is first so released, delivered or transmitted and **“announce”** shall be construed accordingly;

“capital distribution” shall (without prejudice to the generality of that phrase) include distributions in cash or specie, and any dividend or distribution charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a capital distribution, provided that any such dividend shall not automatically be so deemed if:

- (i) it is paid out of the net profits (less losses) attributable to the holders of Ordinary Shares for all financial periods after that ended March 31 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period; or
- (ii) to the extent that (i) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the Independent Financial Adviser appropriate to the circumstances and shall be made in the event that the lengths of such period differ materially;

“issue” shall include allot;

“market price” means the average of the closing prices published in the Hong Kong Stock Exchange’s Daily Quotation Sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) for one Ordinary Share for the 5 Trading Days ending on the last Trading Day immediately preceding the day on or as of which such price is to be ascertained PROVIDED THAT if at any time during the said 5 Trading Days, the Share shall have been quoted ex-dividend and during some other part of that period, the Ordinary Shares shall have been quoted cum-dividend, then:

- (i) if the Ordinary Shares to be issued do not rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share; and
- (ii) if the Ordinary Shares to be issued rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Ordinary Share;

and PROVIDED FURTHER THAT if the Ordinary Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Ordinary Shares to be issued or purchased do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share;

“Shares” includes, for the purposes of Ordinary Shares comprised in any issue, distribution, offer or grant pursuant in Bye-laws 9A(10)(a)(ii), (iii), (iv), (v) and (vi) above, any such shares of the Company as, when fully paid, shall be Ordinary Shares;

“rights” includes rights in whatsoever form issued.

- (c) if the Initial Conversion Price is adjusted with effect (retroactively or otherwise) from a date on or before the date on which the names of the Preference Shareholders whose Preference Shares are converted into Ordinary Shares pursuant hereto or such other persons as they may direct are entered into the register of holders of Ordinary Shares of the Company and such Preference Shareholders' entitlement were arrived at on the basis of unadjusted Initial Conversion Price, the Company shall procure that such number of Ordinary Shares which would have been required to be issued on conversion of such Preference Shares if the relevant adjustment had been given effect to as at the date of conversion shall be allotted and issued to such Preference Shareholders or such other persons as they may direct.
- (d) The provisions of Bye-law 9A(10)(a) shall not apply to:
 - (i) an issue of fully-paid Ordinary Shares upon the exercise of any conversion rights attached to securities convertible into Ordinary Shares that exist at the Issue Date;
 - (ii) an issue of Ordinary Shares or other securities of the Company or any subsidiary wholly or partly convertible into, of carrying rights to acquire, Ordinary Shares to the directors or employees or the Company or any of its subsidiaries pursuant to an employee share option scheme adopted by the Company; and
 - (iii) an issue by the Company of Ordinary Shares or by the Company or its subsidiary of securities wholly or partly convertible into or carrying rights to acquire Ordinary Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business.
- (e) Notwithstanding the provisions of Bye-law 9A(10)(a), in any circumstances where the Directors shall consider that an adjustment to the Initial Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Initial Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the provisions, the Company may appoint the Independent Financial Adviser, to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the Independent Financial Adviser shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis and/or the adjustment shall take effect from such other date and/or time as shall be certified by the Independent Financial Adviser to be in its opinion appropriate.
- (f) Any adjustment to the Initial Conversion Price shall be made to the nearest cent so that any amount under half a cent shall be rounded down and an amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into shares of a larger nominal amount or upon a repurchase of Ordinary Shares) involve an increase in the Initial Conversion Price.
- (g) No adjustment shall be made to the Initial Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions would be less than one cent.
- (h) Where the result of any act or transaction of the Company, having regard to the provisions of Bye-law 9A(10), would be to reduce the Initial Conversion Price to below the nominal amount of an Ordinary Share, no adjustment to the Initial Conversion Price shall be made pursuant to any of the relevant provisions of Bye-law 9A(10) unless (i) the Bye-Laws of the Company shall be in such form, or shall have been altered or added to in such manner, as may be necessary or appropriate to enable the following provisions of this Bye-law 9A(10)(h) and the provisions of Bye-law 9A(11) to be implemented, (ii) implementation of such provisions is not prohibited by and is in compliance with the provisions of the Act, and (iii) the Company, shall have established and shall thereafter (subject as provided in Bye-law 9A(11)) maintain in accordance with the provisions of Bye-law 9A(11) the Conversion Right Reserve referred to therein.
- (i) Whenever the Initial Conversion Price is adjusted, the Company shall give notice to the Preference Shareholders that the Initial Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the initial Conversion Price in effect prior to such adjustment, the adjusted Initial Conversion Price and the effective date thereof).

11. Reduction of the Conversion Price to below the nominal value of an Ordinary Share

- (a) If, so long as any of the Conversion Rights shall remain exercisable, at any time after the Bye-Laws of the Company shall be in such form, or shall have been altered or added to, as provided in Bye-law 9A(10)(h) and the following provisions of this Bye-law 9A(11) are not prohibited by and are implemented in compliance with the provisions of the Act, the Company does any act or engages in any transaction to which the provisions of Bye-law 9A(10)(h) relate, then in compliance with the provisions of that Bye-law, the following provisions shall apply:
- (i) As from the date of such act or transaction, the Company shall establish and thereafter (subject as provided in this Bye-law 9A(11)) maintain in accordance with the provisions of this Bye-law 9A(11)(a) a reserve (the “**Conversion Right Reserve**”) the amount of which shall at no time be less than the sum which for the time being would be required to be capitalized and applied in paying up in full the nominal amount of the additional Ordinary Shares required to be allotted and issued credited as fully paid up pursuant to Bye-law 9A(11)(a)(iii) on the exercise in full of all the Conversion Rights outstanding (and any other conversion or subscription rights outstanding in respect of Ordinary Shares under any other securities of the Company) and shall apply the Conversion Right Reserve in paying up in full such additional Ordinary Shares as and when the same are allotted.
 - (ii) The Conversion Right Reserve will not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law.
 - (iii) Upon the exercise of the Conversion Rights represented by any Preference Shares, the relevant Conversion Rights shall be exercisable in respect of a nominal amount of Ordinary Shares equal to the Reference Amount of such Preference Shares (or, as the case may be, the portion thereof in respect of which the Conversion Rights are then exercised) and, in addition, there shall be allotted in respect of such Conversion Rights to the exercising Preference Shareholder credited as fully paid such additional nominal amount of Ordinary Shares as is equal to the difference between:
 - (aa) the Reference Amount of such Ordinary Shares (or, as the case maybe, the portion thereof in respect of which the Conversion Rights are then exercised); and
 - (bb) the nominal amount of Ordinary Shares in respect of which such Conversion Rights would have been exercisable, having regard to the provisions of Bye-law 9A(10), had it been possible for such Conversion Rights to represent the right to convert into Ordinary Shares at less than par, and immediately upon such exercise so much of the sum standing to the credit of the Conversion Right Reserve as is required to pay up in full such additional nominal amount of Ordinary Shares shall be capitalized and applied in paying up in full such additional nominal amount of Ordinary Shares (other than a fraction of an Ordinary Share) and the relevant number of Ordinary Shares shall forthwith be allotted credited as fully paid to the exercising Preference Shareholder.
 - (iv) If upon the exercise of Conversion Rights represented by any Preference Share the amount standing to the credit of the Conversion Right Reserve is not sufficient to pay up in full such additional nominal amount of Ordinary Shares equal to such difference as aforesaid to which the exercising Preference Shareholder is entitled, the Directors shall apply any profits or reserves then, or thereafter becoming, available (including, to the extent permitted by law, the share premium account) for such purpose until such additional nominal amount of Ordinary Shares is paid up and the relevant number of Ordinary Shares are allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the Ordinary Shares then in issue. Pending such payment out of the Conversion Right Reserve and the available profits and reserves of the Company and allotment the exercising Preference Shareholder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of Ordinary Shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one Ordinary Share in the like manner as the Ordinary Shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the directors of the Company may think fit, and adequate particulars thereof shall be made known to each relevant exercising Preference Shareholder upon the issue of such certificate.

- (b) Ordinary Shares allotted pursuant to the provisions of this Bye-law 9A(11) shall rank pari passu in all respects with the other Ordinary Shares allotted on the relevant exercise of the Conversion Rights represented by the Preference Share concerned.
- (c) Notwithstanding anything contained in Bye-law 9A(11)(a), no fraction of any Ordinary Share shall be allotted on exercise of the Conversion Rights and the provisions of Bye-law 9A(7) shall apply. For this purpose, if the provisions of Bye-law 9A(11)(a)(iii) apply on the occasion of the exercise of the Conversion Rights represented by any Preference Share, then for the purpose of determining whether any (and if so what) fraction of an Ordinary Share arises:
 - (i) if the amount standing to the credit of the Conversion Right Reserve is sufficient (when aggregated with the Reference Amount of such Preference Share or, as the case may be, the portion thereof payable upon exercise in part of the Conversion Rights represented by such Preference Share) to enable the issue of the full nominal amount of Ordinary Shares in respect of which the Conversion Rights represented by such Preference Share are then being exercised, any fractions that would arise on the basis of (separately) the Reference Amount (or, as the case may be, the portion thereof as aforesaid) relating to such Preference Share and the capitalization of an amount standing to the credit of the Conversion Right Reserve shall be aggregated; and
 - (ii) if the contrary to (i) above is the case, the provisions of Bye-law 9A(7) and the foregoing provisions of this Bye-law 9A(11)(c) shall not be applied until the full nominal amount of the Ordinary Shares which fall to be issued on exercise in full of the Conversion Rights represented by such Preference Share is issued (and at that point the Reference Amount relating to such Preference Share and the amount, or all the amounts, capitalized as provided in Bye-law 9A(11)(a) shall be aggregated and the fraction to which the provisions of Bye-law 9A(7) and the foregoing provisions of this Bye-law 9A(11)(c) shall apply shall be the amount of any fraction of a Share then resulting).
- (d) A certificate or report by the auditors of the Company from time to time as to whether or not the Conversion Right Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Conversion Right Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the number of Ordinary Shares required to be allotted to exercising Preference Shareholders credited as fully paid and as to any other matter concerning the Conversion Right Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all the Preference Shareholders and shareholders and all persons claiming through or under them respectively.

12. Undertakings

- (a) So long as any Preference Share remains capable of being converted into Ordinary Shares:
 - (i) the Company will use all reasonable endeavors (1) to maintain a listing for all the issued Ordinary Shares on the Hong Kong Stock Exchange and (2) to obtain and maintain a listing for any Ordinary Shares issued upon conversion of the Preference Shares on the Hong Kong Stock Exchange (or the Alternative Stock Exchange, as the case may be);
 - (ii) if an offer is made to the holders of Ordinary Shares (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that the right to cast more than 50 per cent of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons aforesaid, the Company shall give notice to all Preference Shareholders of such vesting or future vesting within 5 days of its becoming so aware;
 - (iii) the Company will send to each Preference Shareholder, by way of information, one copy of every circular, notice or other document sent to any other shareholders in the company in their capacity as shareholders, at the same time as it is sent to such other shareholders;
 - (iv) the Company shall procure that there shall be sufficient authorised but unissued share capital available for the purposes of satisfying the requirements of any Conversion Notice as may be given and the terms of any other securities for the time being in issue which are convertible into or have the right to subscribe shares in the Company;

- (v) the Company shall not without the consent of the Preference Shareholders as a class, obtained in the manner provided in the Bye-Laws, or unless otherwise permitted pursuant to the Bye-Laws modify, vary, alter or abrogate the rights attaching to the Preference Shares as a class;
 - (vi) the Company shall give notice in writing to each of the Preference Shareholders promptly upon, and in any event within 5 Business Days following, the occurrence of any of the events referred to in Bye-law 9A(8)(b);
 - (vii) if the Company shall issue any further Preference Shares or any shares ranking pari passu with the Preference Shares as regards dividend or distribution of assets which shares carry a right to vote at any general meeting of the Company which is more favourable than that attaching to the Preference Shares (a right so to vote if a fixed dividend is six months or more in arrears shall not be treated as being more favourable) then, if the Preference Shareholders as a class shall so approve (in the manner provided in the Bye-Laws), there shall be conferred on the Preference Shareholders the right to receive notice of, and to attend and vote at, all general meetings of the Company thereafter as set out in Bye-Laws 9A(5);
 - (viii) the Company shall pay all fees, capital and stamp duties payable in Hong Kong, if any, in respect of the issue of Ordinary Shares upon conversion of any Preference Shares;
 - (ix) the Company shall forthwith upon issue of the Preference Shares and receipt of payment therefor, credit to its preference share premium account (the “**Preference Share Premium Account**”) US\$999.99 per Preference Share and thereafter, to the extent permitted by law, will each year transfer to an account titled “Preference Share Redemption Account” a sum equal to one-fifth of the aggregate of the Reference Amount and the pro rata portion of Dividend that has accrued from day to day thereon up to the date immediately prior to the Maturity Date, payable on redemption of the outstanding Preference Shares; sums credited to the Preference Share Premium Account and the Preference Share Redemption Account may only be transferred to any other account in the financial records of the Company if so required by law or if the sums remaining are sufficient to pay all sums due on redemption on the Maturity Date of the outstanding Preference Shares;
 - (x) the Company will not declare, make or pay any dividend on or in respect of its Ordinary Shares (A) as a result thereof its non-consolidated retained profits would fall below the sum shown as such in its audited financial statements for the year ended 31 March 2005 or (B) the percentage of the distributable profits or the Company declared, made or paid in respect of a financial year is higher than the percentage for the immediately preceding year unless after such declaration, making or paying the sums credited to the Preference Share Premium Account or the Preference Share Redemption Account are sufficient to pay all sums due on final redemption of the outstanding Preference Shares; and
 - (xi) the Company shall provide to each Preference Shareholder within 5 Business Days of each Test Date (as defined in Bye-law 9A(12)(b)) a certificate signed by two directors of the Company setting out the computations of the ratios set out in Bye-law 9A(12)(b) for the Relevant Period (as defined in Bye-law 9A(12)(b)) to which such Test Date relates.
- (b) So long as the aggregate number of Preference Share outstanding would, if converted, amount to 5% or more of the total issued Ordinary Shares (including the Ordinary Shares deemed to be issued upon conversion of such Preference Shares), the Company shall, except with the prior written consent of the holders of a majority of the issued Preference Shares:
- (i) following the first anniversary of the Issue Date, maintain a ratio of (A) Consolidated Borrowings to (B) Consolidated Shareholders’ Equity of not more than 100%;
 - (ii) following the second anniversary of the Issue Date, maintain a ratio of (A) Consolidated Net Profit before Interest and Taxes to (B) Consolidated Interest Expense of not less than 300%;
 - (iii) not offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right to subscribe or purchase or warrant over, either directly or indirectly, conditionally or unconditionally, any Ordinary Shares or other securities of the Company or any securities convertible or exchangeable for such Ordinary Shares or other securities of the Company;
 - (iv) not make a material change in the business of the Company, which is the provision of healthcare services in China;

- (v) not make a significant acquisition or disposition of the assets of the Company or any of its subsidiaries; and
- (vi) not enter into any transaction with a “connected person” (as defined in the Listing Rules of the Stock Exchange of Hong Kong) without the unanimous approval of the independent non-executive directors of the Company.

Compliance with and calculation of the ratios referred to in (b)(i) and (b)(ii) above shall be required as at the last day of each Relevant Period only. Testing shall be carried out on each of the Test Dates the first of which shall fall on 1 January 2008 (in respect of the Relevant Period ending 30 September 2007) and by reference to the most recent annual audited or, as the case may be, semi-annual unaudited financial statements in each case prepared on the consolidated basis in respect of the Company and its Subsidiaries in respect of the most recently completed Relevant Period.

For the purposes of (b)(i) and (b)(ii) above, the following terms shall have the meaning respectively ascribed thereto below:

- “Consolidated Borrowings” means indebtedness of the Company, on a consolidated basis, (other than ordinary trade indebtedness) incurred in respect of (a) money borrowed or raised, (b) any bond, note, loan stock, debenture or similar instrument, (c) acceptance credit, trust receipts or commercial paper facilities, (d) deferred payments for assets or services acquired, (e) payments under finance leases (whether in respect of land, machinery, equipment or otherwise) entered into primarily as a method of raising finance or of financing the acquisition of the asset leased, (f) guarantees, bonds, standby letters of credit or other instruments issued in connection with the performance of contracts, (g) any crystallized amount in respect of any derivative transactions which is payable by any member of the Company and (h) Contingencies;
- “Consolidated Interest Expense” means, in relation to the Company, on a consolidated basis, for any Relevant Period, the aggregate amount of all interest, fees and commissions accrued (whether or not paid) during such Relevant Period on all Consolidated Borrowings;
- “Contingencies” means (a) capital commitments which have been contracted for, and (b) guarantees and other assurances against financial loss in respect of Consolidated Borrowings of any person (other than Subsidiaries within the Company);
- “Consolidated Net Profit before Interest and Tax” means, in relation to the Company, in respect of any Relevant Period, its consolidated net profit before Consolidated Interest Expense and taxation, determined by reference to the audited consolidated accounts of the Company for the relevant Period; where, in each of the above, all such amounts and values are computed in the same manner and on the same accounting principles as they are computed for the purposes of the latest audited consolidated balance sheet of the Company.
- “Consolidated Shareholders’ Equity” means, on a consolidated basis, for any Relevant Period, the aggregate amount of share capital, share premium and reserves and retained earnings of the Company;
- “Financial Year” means the 12 month period ending on 31 March in each year or such other date as the Company may designate at its discretion and notify the Preference Shareholders;
- “Relevant Period” means (i) in respect of the first Test Date hereunder, the period of twelve months ending on 30 September 2007 and (ii) in all other cases, each period of twelve months ending on the last day of the Company’s Financial Year and each period of twelve months ending on the last day of the first half of the Company’s Financial Year; and

“Test Dates” means 1 January 2008 and 1 July 2008 and thereafter each 1 January and 1 July (or, to the extent of the Company’s Financial year is amended, the first day of the fourth month following the end of each Relevant Period) and “Test Date” means any of the foregoing each “Test Date” will be in respect of the most recently completed Relevant Period.

13. Board Representation

The Preference Shareholders shall from time to time be entitled to elect one non-executive director of the Company so long as the aggregate number of Preference Shares then outstanding would, if converted, amount to 5% or more of the total issued Ordinary Shares (including the Ordinary Shares deemed to be issued upon conversion of such Preference Shares).

14. Taxation

- (a) All payments in respect of the Reference Amount, premium (if any) and fixed preferential dividend in respect of Preference Shares shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Hong Kong or any authority therein or thereof unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, subject to the Company having sufficient profits available for distribution, the Company shall pay such additional amounts as may be necessary in order that the net amounts received by the Preference Shareholders after such withholding or deduction shall equal the respective amounts of Reference Amount, nominal amount, premium (if any) and fixed preferential dividend which would have been receivable in respect of the Preference Shares in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Preference Shareholder:
- (i) who is liable to such taxes, duties, assessment or governmental charges in respect of such Preference Shares by reason of his having some connection with Hong Kong other than by virtue of his being a Preference Shareholder; or
 - (ii) receiving such payment in Hong Kong and who would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other similar claim for exemption to the Hong Kong tax authority but fails to do so.

To the extent that the Company shall have insufficient profits available for distribution in order to permit it to pay all or any of such additional amounts as aforesaid the amount of any shortfall shall be treated for all purposes as arrears of dividend.

15. Payments

- (a) Payment of all amounts in respect of the Preference Shares under the terms and conditions thereof shall be made on the due dates into such bank account in as the holder of the relevant Preference Shareholder may notify the Company by at least 7 days’ prior notice in writing from time to time. All payments made by the Company in respect of the Preference Shares pursuant to the terms and conditions of this Bye-law 9A shall be made in US dollars in immediately available funds.
- (b) If the due date for payment of any amount in respect of the Preference Shares is not a Business Day, the Preference Shareholder will be entitled to payment on the next following Business Day in the same manner together with interest accrued in respect of any such delay.
- (c) If at any time any payments (whether by way of distribution or on a return of capital or otherwise) which are required to be made pari passu as between the holders of the Preference Shares and Other Pari Passu Shares shall not be made in full, in determining the amounts payable to the Preference Shareholders such amounts shall be calculated in US dollars (calculated based on the exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited for the purchase of US dollars with HK dollars by telegraph transfer at 5:00 p.m. on the day immediately preceding the date of the date of the relevant payment) on:
- (i) in the case of any distribution, the date on which such distribution is declared;

- (ii) in the case of a return of a capital, the date on which such return or capital shall become due; and
- (iii) in the case of any other payment, the date on which such payment shall become due.
- (d) All payments or distributions with respect to Preference Shares held jointly by two or more persons shall be paid or made to whichever of such persons is named first in the Register and the making of any payment or distribution in accordance with this sub-paragraph shall discharge the liability of the Company in respect thereof.

16. Transfer

The Preference Shares may only be assigned or transferred (i) to an Affiliate of any of the Subscribers on terms that if such transferee ceases to be an Affiliate of the relevant Subscriber, it will have to transfer the Preference Shares to another Affiliate of the relevant Subscriber; (ii) to one or more funds which is affiliated to or has management agreements with any of the Subscribers or its Affiliates; or (iii) to such other transferee as may be consented to in advance by the Company (such consent not to be unreasonably withheld) and (if so required), subject in each case to the prior approval of the Hong Kong Stock Exchange and all applicable laws. Subject to the foregoing, the Preference Shares may be assigned or transferred in whole or in part and the Company shall facilitate any such assignment or transfer of the Preference Shares, including making any necessary applications to the Hong Kong Stock Exchange or any other regulatory authority for the said approval (if so required)

By order of the Board
China HealthCare Holdings Limited
Li Zhong Yuan
Chairman

Hong Kong, 16 June 2006

Head office and principal place of business in Hong Kong:

Room 1001-2, 10th Floor
Man Yee Building
68 Des Voeux Road Central
Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the special general meeting is enclosed herewith. Completion and return of the form of proxy shall not preclude a member from attending and voting in person at the meeting and in such event, his form of proxy shall be deemed to be revoked.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorized to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
4. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.

5. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such dated.
6. Where there are joint holders of any shares, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the 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 order joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

As at the date of this notice, the Board comprises four executive Directors, namely, Dr. Li Zhong Yuan, Mr. Lee Jong Dae, Dr. Ni Aimin and Mr. Deng Ku Hon, two non-executive Directors, namely, Mr. Robin Willi and Mr. Martin Treffer, and three independent non-executive Directors, namely, Dr. Ma Yin Ming, Mr. Li Xiao Ru and Mr. Mu Xiangming.

* *for identification purpose only*

Please also refer to the published version of this announcement in The Standard.