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China HealthCare Holdings Limited

中國衛生控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 673)

VERY SUBSTANTIAL ACQUISITION INCREASE IN AUTHORIZED SHARE CAPITAL OF THE COMPANY AND RESUMPTION OF TRADING

Financial Adviser to China HealthCare Holdings Limited

Hercules

Hercules Capital Limited

THE ACQUISITION

On 19 August 2010, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with, among others, the Procurer and the Guarantors, being independent third parties, to acquire the Equity Interests and the Other Assets for a total consideration of HK\$3,360 million. The consideration shall be satisfied by the Company to the Procurer and/or the Nominees as to (i) HK\$44 million in cash; and (ii) HK\$3,316 million by the issue of the Convertible Notes with an initial conversion price of HK\$0.40 per Conversion Share.

INCREASE IN AUTHORIZED SHARE CAPITAL OF THE COMPANY

In order to facilitate the issue of the Conversion Shares which may be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes, the Board proposed to increase the authorized share capital of the Company from HK\$500,000,000, divided into 5,000,000,000 Shares, to HK\$10,000,000,000, divided into 100,000,000,000 Shares, by the creation of additional 95,000,000,000 Shares.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since no Shareholders have any material interest in the Acquisition and the Capital Increase which is different from other Shareholders and none of the Guarantors, the Procurer and their respective associates holds any Share as at the date of this announcement, no Shareholders are required to abstain from voting at the SGM to approve the Agreement and the transactions contemplated thereunder and the Capital Increase.

GENERAL

A circular containing, inter alia, further details of the Acquisition and the Capital Increase, other disclosures required under the Listing Rules and a notice of the SGM is expected to be despatched to the Shareholders on or before 31 December 2010 as it will take about two months for the Company and the professional parties to prepare the relevant information for inclusion in the circular.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:31 a.m. on 20 August 2010, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 October 2010.

The Board is pleased to announce that the Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into the Agreement with, among others, the Procurer and the Guarantors to acquire the Equity Interests and the Other Assets. Details of the Acquisition are set out as follows:

THE AGREEMENT

Date

19 August 2010

Parties to the Agreement

Purchaser : Wingames Investments Limited, an indirect wholly-owned subsidiary of the Company.

Procurer : Mascot Land Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to about 35.5% by China Zhongfu, about 35.5% by Anhui Anhe and about 29.0% by Tide Rejoice Ltd., whose equity is legally held as to 60% by Mr. Wang Ji Sheng and 40% by Mr. Ge Qian Song. Economic interests of bulk of the shareholdings in Tide Rejoice Ltd. are held by Mr. Wang Ji Sheng and Mr. Ge Qian Song in trust for over a hundred of eligible staffs of Shanghai FSY Group. As at the date of this announcement, the entitlement of economic benefits of the shareholdings for each individual staff has not been finalized yet.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Procurer and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

To facilitate the collective purchase of the Acquired Assets, which comprise equity interests in a number of companies, as a whole from various vendors by the Group, the Procurer, which is owned by the parties who have controlling and substantial interests and also management and operational control in the Acquired Assets, was established to bundle the diversified interests in the Acquired Assets as a package instead of individual offerings for sale to the Group and act as a facilitator and representative of the vendors to negotiate with the Group in relation to the Acquisition.

The Procurer, whose shareholders have controlling equity interests and management and operational control in the Acquired Assets, shall be responsible for procuring all the beneficial owners of the Acquired Assets to transfer their respective interests in the Acquired Assets to the Purchaser and/or its nominees in accordance with the terms and conditions set out in the Agreement. Upon Completion, the Company shall issue the Convertible Notes and cash of HK\$44 million to the Procurer as full settlement of the consideration for the Acquisition and no other consideration in any form shall be paid by the Group to individual vendors of the Acquired Assets. The Procurer shall be entitled to all the ownership, rights, obligations and restrictions under the terms of the Convertible Notes. The Company was confirmed by the Procurer that the abovementioned consideration settlement arrangement has been legally agreed by all vendors of the Acquired Assets.

Given that the abovementioned interests bundling and consideration settlement arrangements can significantly reduce the Group's time and effort for dealing with each of the individual vendors, ensure the

purchase of a complete set of the interests in the Acquired Assets by the Group and align and integrate the stakeholders' interests for stability and continuity of the Acquired Assets, the Directors consider that such arrangements are in the interests of the Company and its Shareholders as a whole as compared to negotiating and dealing directly with each of the individual beneficial owners of the Acquired Assets.

Guarantors : China Zhongfu, Shanghai Zhongfu, Anhui Anhe and the Management Guarantors, which are responsible for the implementation of the Reorganization (details of which are set out in the paragraph headed "REORGANIZATION" in this announcement).

China Zhongfu is principally engaged in import and export, service businesses and project investment. Shanghai Zhongfu, a company beneficially owned as to 85% by China Zhongfu, is principally engaged in trading and storage of petrochemical products in the PRC while Anhui Anhe is principally engaged in project investment, consulting and trading businesses. As at the date of the Agreement, China Zhongfu, Shanghai Zhongfu and Anhui Anhe were interested in 20%, 30% and 50% of the equity interest of Shanghai FSY respectively. Upon completion of the Reorganization, China Zhongfu, Shanghai Zhongfu and Anhui Anhe shall own 26.32%, 23.68% and 50.00% of the equity interest of the Target respectively. Save for being the common shareholders in Shanghai FSY and the Procurer, Anhui Anhe does not have any other relationships with China Zhongfu and Shanghai Zhongfu.

Mr. Wang Ji Sheng and Mr. Ge Qian Song, being the Management Guarantors, is the president/executive director and vice president of the Shanghai FSY Group respectively. Mr. Wang Ji Sheng is an executive director of Chongqing Anle Services Co., Ltd., Chongqing Anle Funeral Service Co., Ltd. and Shandong Fu Shou Yuan Development Co., Ltd., and is also the president of Shanghai Fu Shou Yuan Consulting & Management Co., Ltd.. Mr. Ge Qian Song is a director of Henan Fu Shou Yuan Industry Co., Ltd., a subsidiary of Shanghai FSY. Save as being common shareholders of the Procurer and the management of Shanghai FSY Group, which is owned by the Corporate Guarantors, there are no other relationships between each of the Management Guarantors and the Corporate Guarantors.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Corporate Guarantors and their respective ultimate beneficial owners and the Management Guarantors are third parties independent of the Company and connected persons of the Company and none of the Guarantors has any relationship with the vendors and their respective ultimate beneficial owners of the Company's previous acquisitions.

Promissor : the Company

Assets to be acquired

The assets to be acquired under the Agreement include (i) the Equity Interests, being the entire equity interest of the Target, which is a limited liability company to be incorporated under the laws of the PRC whose major assets shall include the Shanghai FSY Group and the Zhongfu Anhe Assets after the Reorganization; and (ii) the Other Assets.

Consideration

The total consideration for the Acquisition is HK\$3,360 million, which shall be satisfied by the Company to the Procurer and/or the Nominees as to (i) HK\$44 million in cash; and (ii) HK\$3,316 million by the issue of the Convertible Notes. The Company intends to finance the cash consideration by internal resources.

The total consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Procurer, having taken into account (i) the growth potential and prospects of the Acquired Assets, in particular the land available for the development of cemeteries owned by the Acquired Assets, the expected increasing trend of the selling price and servicing revenues of cemeteries and funeral parlors in the PRC, the leading position of Shanghai FSY Group in the funeral industry in Shanghai (Shanghai FSY Group ranked the first in sales revenue for the sale of cemeteries in Shanghai for the six months ended 30 June 2010 according to the information published by Funeral Management Office of Shanghai) and the extensive operation network of the Acquired Assets in the PRC; (ii) the consideration adjustment mechanisms set out in the section of "Adjustments to the consideration of the Acquisition" in this announcement; and (iii) the price-to-earnings ratio of the Acquired Assets of no more than 16.8 times implied by the total consideration of the Acquisition of HK\$3,360 million and the 2010 Targeted Profit (as defined in the section "Adjustments to the consideration of the Acquisition of this announcement") of not less than HK\$200 million.

In determination of the fairness and reasonableness of the consideration, the Company has considered the price-to-earnings ratios of all the companies (a) which are currently listed on the main board or growth enterprise market of the Stock Exchange; (b) which are principally engaged in the provision of funeral and cemetery services; and (c) over 50% of whose revenue in the latest financial year was derived from the PRC, for comparison purposes. On this basis and to the best knowledge of the Directors, the

Company has identified only one comparable company, namely Sino-Life Group Limited (stock code: 8296), which meets all the abovementioned criteria. The price-to-earnings ratio of Sino-Life Group Limited was approximately 53.5 times as at the Last Trading Day.

Owing to the limitation of the sample size, the Company extended the scope of reference to those companies listed on the stock exchanges in the PRC or the United States of America and relaxed the criterion on territories of income source. To the best knowledge of the Directors, no listed comparable companies in the PRC meet the abovementioned criteria while three comparable companies in the United States of America which are principally engaged in the provision of funeral and cemetery services in the United States of America, namely Service Corporation International (stock code: SCI), a company listed on the New York Stock Exchange, Carriage Services Inc. (stock code: CSIV), a company listed on the New York Stock Exchange, and Stewart Enterprises Inc. (stock code: STEI), a company listed on the NASDAQ, have been identified. The price-to-earnings ratios of these comparable companies as at the Last Trading Day were in the range of approximately 12.3 times and 16.4 times.

The Directors noted that the scope of business and territory of operations and income source of the abovementioned comparable companies are not identical to those of the Acquired Assets. However, in the absence of any identical company in the market for comparison purposes and having considered that all the abovementioned comparable companies are in the same industry of the Acquired Assets, the Directors considered that it is fair and reasonable to use the abovementioned comparable companies as a reference to determine the fairness and reasonableness of the implied price-to-earnings ratio of the Acquired Assets.

Having considered that (i) the implied price-to-earnings ratio of the Acquired Assets of no more than 16.8 times falls within the range of price-to-earnings ratios of the market comparables of 12.3 times to 53.5 times; (ii) the ecosystem of funeral service industry in the PRC, the most populous country, is under the mega trend of rapidly rising living standards, unprecedented urbanization, fast ageing demography and escalating mortality, and that within the ecosystem quality funeral services and sites of cemetery in the PRC are scarce while the Acquired Assets command a leading status and brand in the industry and a network of geographically expanding and solidly performing operations; and (iii) the Acquired Assets have a solid track record of rapid profit growth in recent years and continued growth potential and scale prospect in a fast developing and expanding market, the Directors considered that the implied price-to-earnings ratio of the Acquired Assets of no more than 16.8 times is commensurate with the prevailing price-to-earnings ratios of the listed comparables identified by the Company.

The Directors noted that the consideration of the Acquisition represents a premium over the net assets value of the Acquired Assets. However, based on the above and the facts that market values of the lands authorized for cemeteries, the brand leadership and the scale value of a chain of geographically expanding operations owned by the Acquired Assets have not been fully reflected in the net assets value of the Acquired Assets, the Directors believe that the consideration of the Acquisition is fair and reasonable and in the interests of the Shareholders as a whole.

The Directors consider that the 2010 Targeted Profit is neither a forecast of the future profits of the Acquired Assets nor a key determining factor for the consideration of the Acquisition. It represents only

a target that the management of the Acquired Assets wishes to achieve for the year ending 31 December 2010 and a benchmark for the consideration adjustment. The consideration of the Acquisition will be adjusted in accordance with the actual profit of the Acquired Assets for the year ending 31 December 2010, instead of being fixed at an amount determined by the 2010 Targeted Profit.

Adjustments to the consideration of the Acquisition

The Procurer represents and warrants to the Purchaser that the Acquired Assets shall have an aggregate consolidated net profit of not less than HK\$200 million for the year ending 31 December 2010 (the “2010 Targeted Profit”) according to the accounting principles generally accepted in Hong Kong.

In the event that the aggregate audited consolidated net profit accruing to the Acquired Assets in respect of the 12 months ending 31 December 2010 is less than the 2010 Targeted Profit, the consideration of the Acquisition shall be reduced by such amount equal to the shortfall in profit multiplied by a factor of 16.8, provided that the maximum amount of adjustment in consideration shall not be more than HK\$3,360 million.

The adjustment in consideration of the Acquisition, if applicable, shall be effected within 5 working days after the issue of the audited consolidated financial statements of the Acquired Assets for the year ending 31 December 2010 by reduction of the principal amount of the Convertible Notes up to a maximum of HK\$3,316 million and then follow by cash payment up to a maximum of HK\$44 million if the principal amount of the Convertible Notes is insufficient to cover the consideration adjustment. In the event that the Completion takes place before the issue of the audited consolidated financial statements of the Acquired Assets for the year ending 31 December 2010, the Convertible Notes shall be issued and placed in an escrow account maintained by a legal firm until the finalization of the adjustments to the consideration of the Acquisition. The Procurer shall, and shall procure the Nominees to, enter into such documents and perform such acts as may be required by the Company to effect the reduction of the principal amount of the Convertible Notes.

Principal terms of the Convertible Notes

The terms of the Convertible Notes were negotiated on an arm’s length basis and the principal terms of which are summarized below:

Issuer	:	the Company
Principal amount	:	HK\$3,316 million, in the denomination of HK\$10,000 each
Issue price	:	100% of principal amount of the Convertible Notes
Interest	:	Nil

Default interest	:	Interest will accrue from the maturity date at a rate equal to the lower of (i) 5% per annum; or (ii) the HK\$ prime lending rate quoted by The Hongkong & Shanghai Banking Corporation Limited and published in The South China Morning Post, up to (but excluding) the date on which payment in full of the outstanding amount is made.
Maturity date	:	the tenth anniversary of the date of issue of the Convertible Notes
Conversion price	:	The initial conversion price is HK\$0.40, subject to adjustments in accordance with the terms and conditions of the Convertible Notes. Events triggering adjustments include share consolidation, share subdivision, capitalization of profits or reserves, capital distribution, rights issue, open offer and equity or equity derivatives issues. No adjustment involving an increase in the conversion price will be made, except in the case of share consolidation.

The initial conversion price of HK\$0.40 represents:

- (i) a discount of approximately 52.94% to the closing price of HK\$0.850 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 44.90% to the average of the closing prices of approximately HK\$0.726 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 24.95% to the average of the closing prices of approximately HK\$0.533 per Share as quoted on the Stock Exchange over the last thirty trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 12.47% to the average of the closing prices of approximately HK\$0.457 per Share as quoted on the Stock Exchange over the last sixty trading days up to and including the Last Trading Day.

The initial conversion price was arrived at after arm's length negotiation between the Procurer and the Purchaser, with reference to the prevailing market price of the Shares of approximately HK\$0.37 to HK\$0.47 at the time of negotiation of the initial conversion price during the period from May 2010 to July 2010. Having considered that (i) the closing price of the Shares were below HK\$0.60 throughout the 12-month period immediately before 10 August 2010, the date

on which an announcement regarding the negotiation of a possible acquisition was published by the Company; (ii) the sudden surge in the price of the Shares since 10 August 2010 may probably be prompted by market speculations about the Acquisition; (iii) the Company had net liabilities of approximately HK\$21.8 million as at 31 March 2010; and (iv) the initial conversion price represents a discount of only 12.47% to the average closing price of the Share over the last sixty trading days up to and including the Last Trading Day, being the negotiation period of the Acquisition, the Directors consider that a discount on the initial conversion price for the Convertible Notes to the closing price of the Share on the Last Trading Day is commercially justifiable and it is fair and reasonable so far as the Shareholders are concerned.

- Conversion rights : The Convertible Notes carry the rights to convert the whole or part of their principal amount into Conversion Shares at the initial conversion price of HK\$0.40 per Conversion Share during the conversion period at the discretion of the holders of the Convertible Notes provided that (i) the holder and parties acting in concert with it, taken together, will not directly or indirectly, control or be interested in 30% or more of the total issued Shares (or in such other percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer); and (ii) the allotment and issue of the Conversion Shares upon exercise of the conversion right will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.
- Conversion period : The period commencing on the date immediately after the date of issue of the Convertible Notes and expiring on the date falling on seventh day immediately before the maturity date of the Convertible Notes.
- Conversion Shares : The Conversion Shares shall rank pari passu in all respects with the fully paid Shares in issue on the relevant conversion date and shall entitle the holders to participate in full in all dividend or other distribution paid or made on the Shares after the relevant conversion date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant conversion date.

Assuming that the Convertible Notes are fully converted into Conversion Shares at the initial conversion price of HK\$0.40, a total of 8,290,000,000 Conversion Shares will be issued, which represent

approximately 2,097.98% of the existing share capital of the Company and approximately 95.45% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued under a specific mandate, which will be sought at the SGM. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

- Application of listing : No application will be made by the Company to the Stock Exchange or any other stock exchange for the listing of the Convertible Notes.
- Redemption : The Company is obliged to redeem any outstanding Convertible Notes on the maturity date by issuance of new Shares at the higher of the then market price or HK\$0.4 per Share.
- Transferability : Save for the lock-up provisions set out in the paragraph headed “Lock-up of the Convertible Notes and Conversion Shares” in this announcement, the Convertible Notes shall be freely transferable to any person, provided that any transfer to a connected person of the Company are subject to prior approval of the Shareholders and compliance with the relevant requirements and provisions under the Listing Rules and applicable laws and regulations.
- Voting : The holder(s) of the Convertible Notes shall not be entitled to attend or vote at any meeting of the Company by reason only of it/them being the holder(s) of the Convertible Notes.
- Ranking : The Convertible Notes shall rank junior to all outstanding senior convertible notes of the Company but rank pari passu with all outstanding subordinated convertible notes of the Company.

Lock-up of the Convertible Notes and Conversion Shares

The Procurer (acting for itself and each Nominee, if any) undertakes to the Purchaser and the Company that it will not transfer, dispose of or encumber (i) any Convertible Notes held by the Procurer, the Nominees or their respective affiliates; and (ii) the Conversion Shares converted therefrom, in each case at any time during the period commencing on the date of Completion and ending on the date of expiry of three years after the date of Completion unless with prior consent from the Company but the Conversion Shares are still subject to the same lock-up of three years after the date of Completion. However, each of the Procurer and the Nominees may transfer, dispose of or encumber the Convertible Notes or Conversion Shares in part or in whole to any of the Guarantors or their respective affiliates, provided that such Guarantors and affiliates shall be deemed as parties acting in concert and assume the same conversion restriction as set out in the Agreement.

Notwithstanding anything to the contrary in the Agreement, nothing in the Agreement shall prevent any of the Procurer and the Nominees from transferring, disposing of or encumbering (i) 700,000,000 Conversion Shares and/or such number of Convertible Notes held by the Guarantors or their respective affiliates that can be converted into such number of Conversion Shares (or in any combination between such Conversion Shares or Convertible Notes) commencing from the date falling six months after the Completion; (ii) an additional 400,000,000 Conversion Shares and/or such number of Convertible Notes held by the Guarantors or their respective affiliates that can be converted into such number of Conversion Shares (or in any combination between such Conversion Shares or Convertible Notes) commencing from the date falling eighteen months after the Completion; and (iii) an additional 600,000,000 Conversion Shares and/or such number of Convertible Notes held by the Guarantors or their respective affiliates that can be converted into such number of Conversion Shares (or in any combination between such Conversion Shares or Convertible Notes) commencing from the date falling twenty-four months after the Completion.

Equity incentive scheme

Shanghai FSY has allocated a pool of equity incentive to certain qualified employees of the Shanghai FSY Group to acquire up to 10% equity interests of Shanghai FSY (the “Shanghai FSY Options”) at a pre-money valuation of HK\$3,000 million, being the valuation of the Shanghai FSY Group estimated by the management of Shanghai FSY with reference to the total consideration of the Acquisition and the contribution of approximately 90% of the total profit of the Acquired Assets by the Shanghai FSY Group. The parties to the Agreement agreed that the Shanghai FSY Options would be replaced by a pool of options to acquire up to 10% equity interests of the SPV at a pre-money valuation of HK\$3,360 million, being the valuation of the Acquired Assets estimated by the Procurer with reference to the total consideration of the Acquisition, subject to the compliance with Chapter 17 of the Listing Rules (the “SPV Options”), to be issued under the share option scheme to be adopted by the SPV in accordance with Chapter 17 of the Listing Rules. The Shanghai FSY Options shall be cancelled if and when the scheme of the SPV Options is adopted, which is expected to take place upon Completion and the fulfillment of all relevant requirements under Chapter 17 of the Listing Rules, including the approval by the Shareholders in a general meeting.

The exercise of the SPV Options may result in a deemed disposal and/or connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively. The Company will, where applicable, comply with the relevant requirements under Chapter 14 and/or Chapter 14A of the Listing Rules upon exercise of the SPV Options.

Conditions precedent

Completion is conditional upon, inter alia:

- (a) the passing of the relevant resolutions at the general meeting of the Company by the Shareholders for approving (i) the Capital Increase; and (ii) the Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;
- (b) the granting of the listing of, and permission to deal in, the Conversion Shares by the Listing Committee of the Stock Exchange;
- (c) the Reorganization having been implemented and completed in manner reasonably satisfactory to the Purchaser, including without limitation all approvals, consents and acts (whether required under laws, codes, regulations or otherwise) for the purpose of or in connection with the completion of the Reorganization being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such provisions being obtained from the relevant authority and that the Purchaser having received all evidence that the Reorganization have been so implemented and completed;
- (d) satisfactory completion of business, financial and legal due diligence on all relevant aspects of the Acquired Assets by the Purchaser;
- (e) the Purchaser receiving a copy of the following legal opinions, each in form and substance reasonably satisfactory to the Purchaser:
 - (i) a legal opinion from a firm of Bermuda qualified lawyers reasonably satisfactory to the Purchaser certifying that, among others, the issuance of the Convertible Notes to the Procurer or the Nominees will not violate any of the Bermuda laws and regulations and that all legal and regulatory procedures required under Bermuda laws and regulations shall have been completed;
 - (ii) a legal opinion from a firm of the British Virgin Islands qualified lawyers reasonably satisfactory to the Purchaser, certifying that, among others, the Procurer and the Nominees, if any, have the legal capacity to hold the Convertible Notes and the Conversion Shares if the conversion right attached to the Convertible Notes is exercised; and
 - (iii) a legal opinion from a firm of PRC qualified lawyers reasonably satisfactory to the Purchaser, certifying that, among others, the due incorporation of the Target and the Shanghai FSY Group and the legality of the funeral serviced business including development, construction, promotion, sale and operation of cemetery under PRC laws and regulations;

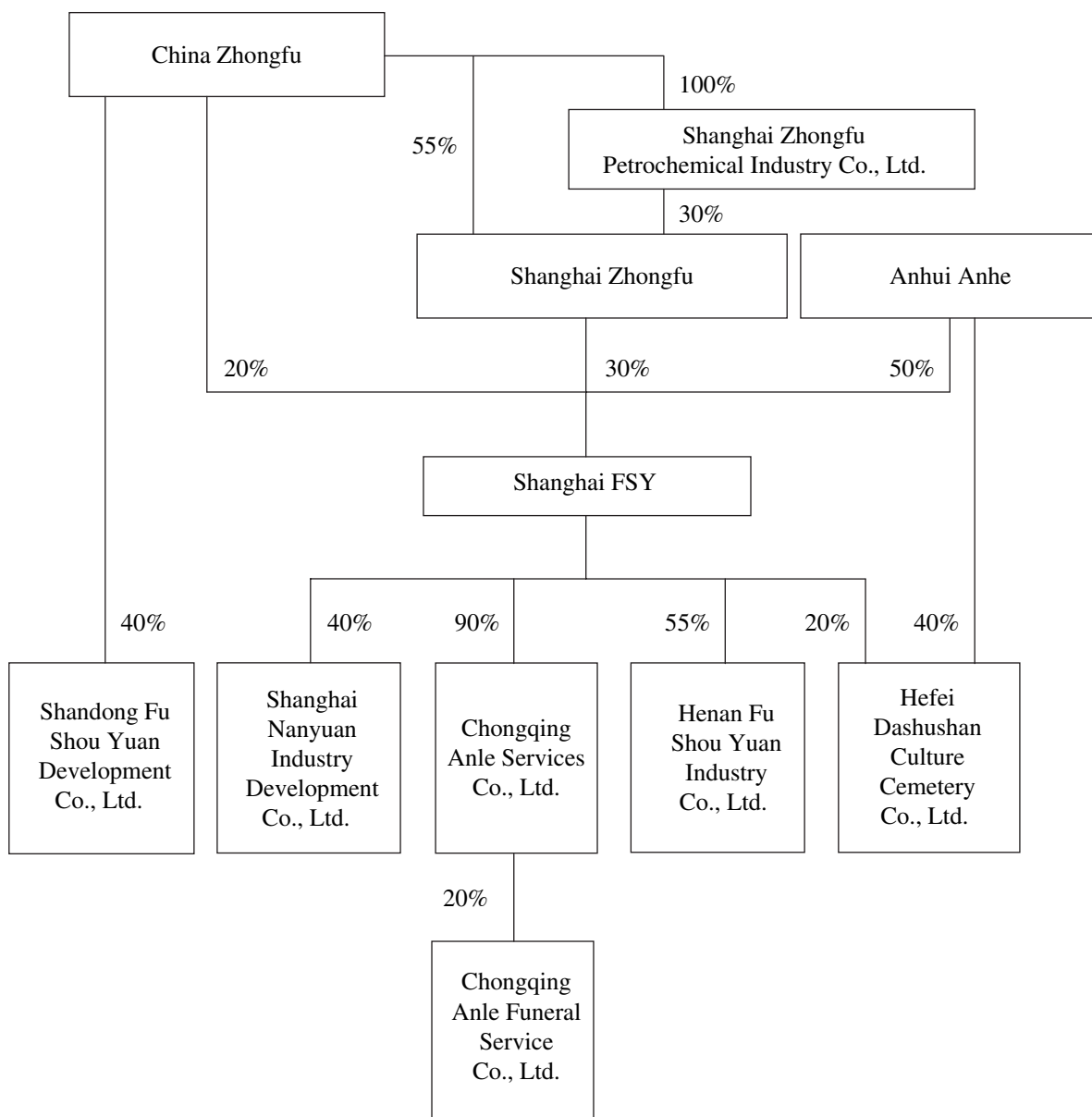
- (f) the formation of the Target, the JV and the WFOE (if applicable) with proper consents, approvals and/or acts by government authorities for the JV and the WFOE to make investments in funeral service industry under PRC laws and regulations;
- (g) the Purchaser having received a valuation report relating to the valuation of the Acquired Assets as at 30 September 2010 prepared by a professional valuer acceptable to the Purchaser showing valuation amount of not less than HK\$3,360 million;
- (h) the holder of the Preference Shares, namely Capital Foresight Limited, having issued a written confirmation in an agreed form to the Company waiving all claims it may have against the Company and agreeing to the consummation of the transactions contemplated under the Agreement;
- (i) all authorizations, approvals, waivers, permits or filings of any kind from any government authority, the Stock Exchange or any other regulatory authority necessary to be obtained under applicable laws and the Listing Rules in connection with the entering into and performance of the Agreement and related documents and for the consummation of all the transactions contemplated under the Agreement and related documents including but not limited to the sale and purchase of the Equity Interests and the Other Assets, the issue of the Convertible Notes and the allotment and issue of the Conversion Shares (which may be issued upon the exercise of the conversion rights attached to the Convertible Notes), which remain effective and in full force as of the date of Completion, shall have been received and obtained, and the waiting period required under any applicable laws prior to such transfer shall have expired;
- (j) the granting of the permission for the issue of the Convertible Notes and the Conversion Shares by the Bermuda Monetary Authority, if required; and
- (k) the authorized share capital of the Company having been increased from HK\$500,000,000 to HK\$10,000,000,000 divided into 100,000,000,000 Shares.

Completion shall take place at 10:00 a.m. on the third business day after the date on which all conditions are satisfied or, as the case may be, waived. The conditions (a), (b), (c), (f), (g) and (j) shall not be waived. The Purchaser may, to such extent as it thinks fit and is legally entitled to do so, at any time waive in writing any of the conditions (d), (e) and (i). If any of the conditions is not satisfied or, as the case may be, waived by the Purchaser on or before 5:00 p.m. on 31 December 2010, or such later date as agreed by the Purchaser and the Procurer in writing, the Purchaser shall not be bound to proceed with the Acquisition. If any of the conditions (h) and (k) is not satisfied or, as the case may be, waived by the Procurer in writing on or before 5:00 p.m. on 31 December 2010, or such later date as agreed by the Purchaser and the Procurer in writing, the Procurer shall not be bound to proceed with the Acquisition.

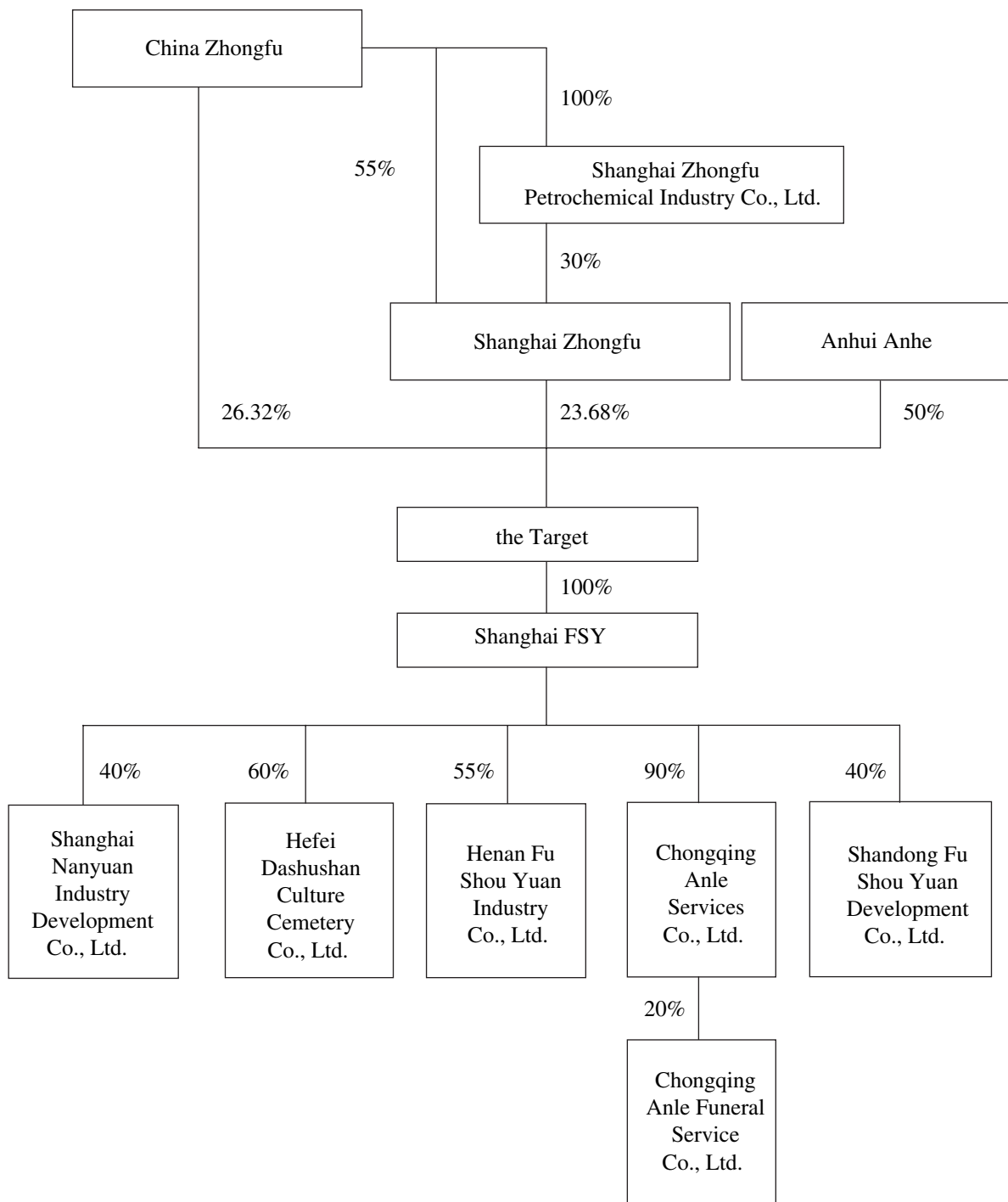
REORGANIZATION

As at the date of the Agreement, Shanghai FSY was owned as to 20% by China Zhongfu, 30% by Shanghai Zhongfu and 50% by Anhui Anhe while Shandong Fu Shou Yuan Development Co., Ltd. was owned as to 40% by China Zhongfu and Hefei Dashushan Culture Cemetery Co., Ltd. was owned as to 20% by Shanghai FSY and 40% by Anhui Anhe.

The shareholding structure of the Shanghai FSY Group and the Zhongfu Anhe Assets as at the date of Agreement is shown as follows:

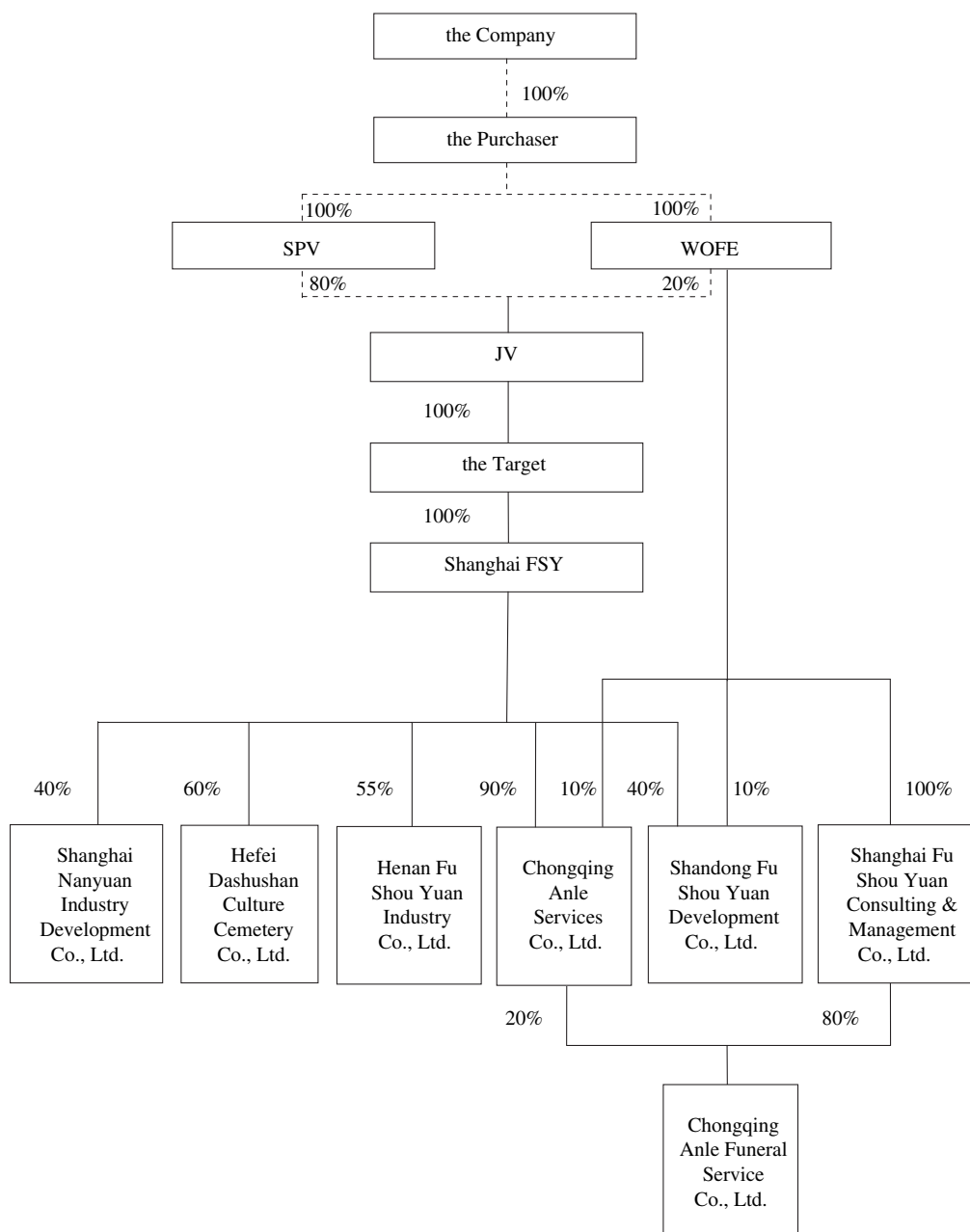


Before Completion, the Target shall be incorporated and owned as to 26.32% by China Zhongfu, 23.68% by Shanghai Zhongfu and 50% by Anhui Anhe. In order to consolidate the related interests in various companies, the equity interest of Shanghai FSY shall be transferred to the Target. In addition, the Zhongfu Anhe Assets, which comprises 40% equity interest in Shandong Fu Shou Yuan Development Co., Ltd. and 40% equity interest in Hefei Dashushan Culture Cemetery Co., Ltd., will also be injected into the Target. Therefore, the Target will be interested in 100% equity interest in Shanghai FSY and the Zhongfu Anhe Assets upon completion of the Reorganization. The shareholding structure of the Target Group upon completion of the Reorganization is shown as follows:



Meanwhile, the Company shall establish the SPV, the JV and the WOFE for investment holding purposes. The SPV and WOFE shall be indirectly wholly-owned by the Company through the Purchaser and the JV shall be temporarily owned as to 20% by the Management Guarantors and 80% by the SPV so as to meet the requirement on management expertise in funeral business imposed by the relevant regulatory authorities in the PRC for the registration of the JV. Before Completion, the 20% equity interest in the JV held by the Management Guarantors shall be transferred to the WOFE without additional cost to the Group. Having considered that the Reorganization shall simplify the shareholding structure and align and integrate the stakeholders' interests of the Acquired Assets, the Directors are of the view that the Reorganization is in the interest of the Company and the Shareholders as a whole.

Upon Completion, the Equity Interests shall be transferred to the JV while the Other Assets shall be transferred to the WOFE from the respective beneficial owners. The shareholding structure of the Enlarged Group upon Completion will be as follows:



———— Direct holding

----- Indirect holding

INFORMATION ON THE ACQUIRED ASSETS

The Target Group

The Target is a limited liability investment holding company to be incorporated under the laws of the PRC. Upon its incorporation, the Target will be owned as to 26.32% by China Zhongfu, 23.68% by Shanghai Zhongfu and 50.00% by Anhui Anhe. The major assets of the Target shall include the Shanghai FSY Group and the Zhongfu Anhe Assets.

The Shanghai FSY Group and Zhongfu Anhe Assets have been engaged in the provision of funeral services in Shanghai, Chongqing, Anhui, Shandong and Henan, the PRC. The funeral services provided include sale of burial sites, design of tombstone, management of the cemeteries and operation of funeral houses. The Shanghai FSY Group and Zhongfu Anhe Assets are currently operating two funeral parlors in Chongqing, one funeral parlor in Anhui and five cemeteries in the PRC with a total site area of approximately 2,348,007 square meters, two of which are located in Shanghai with site areas of approximately 682,670 square meters in Qingpu District, Shanghai and approximately 200,000 square meters in Pudong, Shanghai respectively while other cemeteries are located in Shandong, Henan and Anhui with site areas of approximately 885,337 square meters, 480,000 square meters and 100,000 square meters respectively. Fu Shou Yuan in Qingpu District, Shanghai, the flagship cemetery in a chain of the cemeteries operated by the Target Group, is a first-class cemetery in the PRC with a total site area of approximately 682,670 square meters. It embodies, defines and promotes humanity, dignity and class through combining traditional Chinese cemetery culture with modern management concept and service practice which offers a large variety of burial form and tombstone styles and memorial services in different memorial sections. As a result, it was awarded the 2010 National Leading Cemetery by the Ministry of Civil Administration of the PRC. Fu Shou Yuan, as a brand of service quality, is enjoying the dominant position in Shanghai cemetery market, as demonstrated by its premium of almost 100% on unit pricing and revenue size of almost two times over its immediate next competitor in the market for the first half of 2010, according to statistics by Funeral Management Office of Shanghai. Shanghai FSY is also enjoying a leading professional position in the industry, as evidenced by its status of an executive council member of China Funeral Association, the chair member of the Cemetery Working Committee of China Funeral Association, and in addition, a member of International Funeral Association, a member of International Cemetery, Cremation and Funeral Association and a member of Australasian Cemeteries & Crematoria Association. The cemeteries have been awarded the ISO9002 in product and service quality and ISO14001 in environmental protection. Shanghai Fu Shou Yuan is also the center of excellence in best code of practice as evidenced by being the sole organization exclusively authorized and entrusted by China Funeral Association to provide professional trainings to the practitioners of the funeral industry in the PRC since 1999 with the graduated trainee obtaining a certificate issued by China Funeral Association, and so far over 1,500 participants of the training programs have obtained such certificates.

Other Assets

Other Assets comprise (i) the entire equity interest in Shanghai Fu Shou Yuan Consulting & Management Co., Ltd., which commenced its operations in September 2002 and was beneficially owned as to 80% by Ms. Li Jian Ning, the spouse of Mr. Wang Ji Sheng, who is one of the Management Guarantors, and 20% by Mr. Tan Li Kan as at the date of the Agreement; (ii) 10% equity interest in Chongqing Anle Services Co., Ltd., which commenced its operations in September 1997 and was beneficially owned by Mr. Wu Hua as at the date of the Agreement; (iii) 80% equity interest in Chongqing Anle Funeral Service Co. Ltd., which commenced its operations in January 2003 and was beneficially owned by Shanghai Fu Shou Yuan Consulting & Management Co., Ltd. as at the date of the Agreement; and (iv) 10% equity interest in Shandong Fu Shou Yuan Development Co., Ltd., which commenced its operations in December 2001 and was beneficially owned by Mr. Cao Ping as at the date of the Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the ultimate beneficial owners of the Other Assets and the remaining interests of the companies comprising the Acquired Assets not to be acquired by the Group are third parties independent of the Company and connected persons of the Company. All the above-mentioned companies are principally engaged in the provision of funeral services in Shanghai, Chongqing and Shandong, the PRC. Two funeral parlors are currently operating in Chongqing under the management of the Other Assets.

The Acquired Assets have not prepared any consolidated accounts. The unaudited combined financial information of the Acquired Assets, which have been prepared in accordance with the accounting principles generally accepted in the PRC, is summarized as follows:

	For the six months ended		For the year ended	
	30 June 2010	31 December 2009	31 December 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	242,019	313,467	274,587	236,241
Profit before taxation	115,154	130,102	80,827	44,397
Profit after taxation and extraordinary items	98,424	113,427	68,596	36,116
Net profit attributable to the owners of the Acquired Assets	<u>87,412</u>	<u>97,735</u>	<u>63,147</u>	<u>32,771</u>
	As at 30 June 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net assets attributable to owners of the Acquired Assets	<u>216,742</u>	<u>179,336</u>	<u>138,214</u>	<u>128,089</u>

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of B-to-C consumer services, procurement of B-to-B healthcare services and sales of medical devices and consumable. Upon Completion, the Target will become a wholly-owned subsidiary of the Company and its results will be consolidated into, the Group's accounts. At present, the Group has no intentions to effect substantive changes to its existing business after the Acquisition. The Company neither has entered into, nor has any present plan to enter into any agreement, arrangement, understanding or negotiation on disposal of any subsidiary, existing business or major assets of the Group. At present, the Company has no plans to change the composition of its Board or appoint any of the substantial shareholders of the Procurer, the Nominees and the Guarantors as a Director, a controller or a chief executive of the Company before and/or after the Completion. Furthermore, none of the Procurer, the Nominees and/or the Guarantors has/will have any contractual rights for nomination of directors to the board of the Target and/or the Board. However, having considered that the Target will be engaged in a completely different business from the existing business of the Group, the existing management of the Acquired Assets will be retained by the Group and a management committee comprises members of the Board and management of the Acquired Assets will be established to manage the daily operation of the funeral business after the Completion. Competent management staff will also be recruited to manage the funeral business as and when appropriate.

The Directors consider that the Acquisition shall enable the Group to diversify its business into the funeral services industry in the PRC. Given the growing trend of unprecedented urbanization, aging population and escalating mortality and the continuously rapid economic growth in the PRC, the Directors believe that the demand for high quality funeral services in the PRC is fast increasing and the growth potential of funeral industry in the PRC is immense. Furthermore, in view of the industry leadership status, the strong financial performance, the high growth potential and prospects of the Acquired Assets, the Directors anticipate that the Acquisition shall significantly broaden the income source of the Group and provide a solution to the Group's insolvency problem and substantially improve the financial position of the Group.

Having considered (i) the abovementioned benefits to be brought by the Acquisition; (ii) the current financial position of the Group; (iii) the valuation of the Acquired Assets being not less than the total consideration of the Acquisition; and (iv) over 98% of the consideration of the Acquisition being settled by the issue of Convertible Notes, the Directors believe that the terms of the Agreement, including the consideration of the Acquisition, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company as at the date of this announcement and, for illustrative purposes only, (i) upon full conversion of the Convertible Notes; (ii) upon conversion of the Convertible Notes, subject to the conversion restrictions; and (iii) upon conversion of the Convertible Notes, subject to the conversion restrictions, and full conversion of the existing convertible securities of the Company, each prepared on the basis that there would be no change in the issued share capital of the Company after the date of this announcement other than as stated in each scenario.

	As at the date of this announcement		Upon full conversion of the Convertible Notes		Upon conversion of the Convertible Notes subject to the conversion restrictions (Note 6)		Upon conversion of the Convertible Notes, subject to the conversion restrictions (Note 6), and full conversion of the existing convertible securities of the Company (Note 7)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Dr. Li Zhong Yuan and his associates	24,443,000 (Note 1)	6.19	24,443,000	0.28	24,443,000	4.33	30,687,000	3.38
Mr. Martin Treffer and his associates	1,545,000 (Note 2)	0.39	1,545,000	0.02	1,545,000	0.27	3,447,000	0.38
Mr. Zhou Bao Yi (Note 3)	1,002,000	0.25	1,002,000	0.01	1,002,000	0.18	1,002,000	0.11
Mr. Mu Xiangming (Note 3)	–	–	–	–	–	–	471,000	0.05
Dr. Yan Shi Yun (Note 3)	–	–	–	–	–	–	261,000	0.03
Mr. Jiang Bo (Note 3)	–	–	–	–	–	–	261,000	0.03
Dragonrise Capital Advisors Inc.	62,480,474	15.81	62,480,474	0.72	62,480,474	11.07	62,480,474	6.87
Capital Foresight Limited (Note 4)	–	–	–	–	–	–	100,344,827	11.04
ZhongXing Limited (Note 5)	8,595,000	2.18	8,595,000	0.10	8,595,000	1.52	71,075,474	7.82
The Procurer	–	–	8,290,000,000	95.45	169,265,975	29.99	272,582,250	29.99
Other public Shareholders (Note 6)	297,076,604	75.18	297,076,604	3.42	297,076,604	52.64	366,298,446	40.30
Total	395,142,078	100.00	8,685,142,078	100.00	564,408,053	100.00	908,910,471	100.00

Notes:

- (1) These Shares include 11,147,000 Shares held by Pacific Annex Capital Limited and 13,296,000 Shares held by Dr. Li Zhong Yuan, a Director. Since Pacific Annex Capital Limited is wholly-owned by Dr. Li Zhong Yuan, Dr. Li Zhong Yuan is deemed to be interested in the Shares held by Pacific Annex Capital Limited.
- (2) These Shares include 1,295,000 Shares held by 2Trade Group Limited and 250,000 Shares held by Mr. Martin Treffer, a Director. Since 2Trade Group Limited is beneficially owned as to 35% by Mr. Martin Treffer, Mr. Martin Treffer is deemed to be interested in the Shares held by 2Trade Group Limited.
- (3) Mr. Zhou Bao Yi, Mr. Mu Xiangming, Dr. Yan Shi Yun and Mr. Jiang Bo are Directors.
- (4) Capital Foresight Limited, the holder of the Preference Shares, is beneficially owned by Mr. Yu Feng, Mr. Chen Li Bo and Mr. Li Xiao Ru. Upon full conversion of the Preference Shares in accordance with their terms and conditions, 100,344,827 Shares are expected to be issued to Capital Foresight Limited.
- (5) ZhongXing Limited, the holder of the convertible notes, is beneficially owned by Mr. Ho Kin. Upon full conversion of the convertible notes, 62,480,474 Shares will be issued to ZhongXing Limited.
- (6) Pursuant to the Agreement, the Procurer shall not (and shall procure that any Nominee shall not) exercise any right to convert the Convertible Notes into the Conversion Shares to the extent that following such exercise (i) the Procurer, the Guarantors, the Nominees and any parties acting in concert with any of them, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or in such other percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer; or (ii) would cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.
- (7) The existing convertible securities of the Company include the Preference Shares, the Existing Convertible Notes and an aggregate of 23,264,000 outstanding share options with exercise prices in the range of HK\$0.5 to HK\$8.6 each. Save as aforementioned, the Company has no other convertible securities outstanding as at the date of this announcement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the holders of the existing convertible securities of the Company has any relationship with the Procurer and/or the Guarantors.

INCREASE IN AUTHORIZED SHARE CAPITAL OF THE COMPANY

As at the date of this announcement, the authorized and issued share capital of the Company are HK\$500,000,000 divided into 5,000,000,000 Shares and HK\$39,514,207.80 divided into 395,142,078 Shares respectively. In order to facilitate the issue of the Conversion Shares which may be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes, the Board proposed to increase its authorized share capital from HK\$500,000,000 to HK\$10,000,000,000 by the creation of additional 95,000,000,000 Shares.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since no Shareholders have any material interest in the Acquisition and the Capital Increase which is different from other Shareholders and none of the Guarantors, the Procurer and their respective associates holds any Share as at the date of this announcement, no Shareholders are required to abstain from voting at the SGM to approve the Agreement and the transactions contemplated thereunder and the Capital Increase.

GENERAL

A circular containing, among others, further details of the Acquisition and the Capital Increase, other disclosures required pursuant to the Listing Rules and a notice of the SGM is expected to be despatched to the Shareholders on or before 31 December 2010 as it will take about two months for the Company and the professional parties to prepare the relevant information for inclusion in the circular.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:31 a.m. on 20 August 2010, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 14 October 2010.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquired Assets”	the Target Group and the Other Assets
“Acquisition”	the acquisition of the Equity interests and the Other Assets by the Purchaser and/or its nominees in accordance with the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 19 August 2010 entered into between the Purchaser, the Guarantors, the Procurer and the Company in relation to the Acquisition
“Anhui Anhe”	Anhui Anhe Investment Consulting Co., Ltd. (安徽安合投資諮詢有限公司)
“associate”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“Capital Increase”	the proposed increase in authorized share capital of the Company from HK\$500,000,000, divided into 5,000,000,000 Shares, to HK\$10,000,000,000, divided into 100,000,000,000 Shares, by the creation of additional 95,000,000,000 Shares
“China Zhongfu”	China Zhongfu Industry Co., Ltd. (中國中福實業有限公司)
“Company”	China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Conversion Share(s)”	new Share(s) to be issued by the Company upon conversion of the Convertible Notes
“Convertible Notes”	the convertible notes of a principal amount of HK\$3,316 million with a conversion price of HK\$0.40 per Conversion Share to be issued by the Company, as part of the consideration for the Acquisition, to the Procurer or the Nominees in accordance with the terms and conditions of the Agreement
“Corporate Guarantors”	China Zhongfu, Shanghai Zhongfu and Anhui Anhe, being companies established under the laws of the PRC
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group and the Acquired Assets
“Equity Interests”	the interests in the entire registered capital of the Target after the Reorganization
“Existing Convertible Notes”	the convertible notes in principal amounts of (i) US\$6.6 million issued by the Company to certain independent investors; (ii) HK\$20 million issued by the Company to Panjinfenyuan Technology Investment Limited as part of the consideration for the acquisition of 30% equity interest of Shanghai Harvest Network Technology Co. Limited; (iii) HK\$15 million issued by the Company to certain independent investors; and (iv) HK\$50 million issued by the Company to certain independent investors

“Group”	the Company and its subsidiaries
“Guarantors”	the Corporate Guarantors and the Management Guarantors
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV”	a sino-foreign joint venture partnership to be established under the laws of the PRC by the SPV and the Management Guarantors for the purpose of acquiring the Equity Interests
“Last Trading Day”	19 August 2010, being the last trading day before the publication of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Management Guarantors”	Mr. Wang Ji Sheng (王計生先生), Executive Director and President of the Shanghai FSY Group, and Mr. Ge Qian Song (葛千松先生), Vice President of the Shanghai FSY Group
“Nominee(s)”	the nominee(s) designated by the Procurer to receive any part of the consideration of the Acquisition
“Och-Ziff Group”	OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P. and Global Holdings Limited (formerly known as Fleet Maritime, Inc.)
“Other Assets”	(i) the entire equity interest in Shanghai Fu Shou Yuan Consulting & Management Co., Ltd. (上海福壽園諮詢管理有限公司); (ii) the 10% equity interest in Chongqing Anle Services Co., Ltd. (重慶安樂服務有限公司); (iii) the 80% equity interest in Chongqing Anle Funeral Service Co. Ltd. (重慶安樂殯儀服務有限公司); and (iv) the 10% equity interest in Shandong Fu Shou Yuan Development Co., Ltd. (山東福壽園發展有限公司)
“PRC”	the People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Preference Shares”	15,000 redeemable convertible cumulative preference shares issued by the Company to the Och-Ziff Group in accordance with the terms and conditions of the subscription agreement dated 5 April 2006 entered into between the Company and the Och-Ziff Group, which were subsequently transferred to Capital Foresight Limited
“Procurer”	Mascot Land Limited, a company incorporated in the British Virgin Islands with limited liability
“Purchaser”	Wingames Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Company
“Reorganization”	the reorganization in respect of (i) the establishment of the Target, the JV, the WFOE and the SPV pursuant to the Agreement; and (ii) the injection of the entire equity interest of Shanghai FSY and the Zhongfu Anhe Assets into the Target
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder and the Capital Increase
“Shanghai FSY”	Shanghai Fu Shou Yuan Industry Development Co., Ltd. (上海福壽園實業發展有限公司)
“Shanghai FSY Group”	Shanghai FSY and its subsidiaries and associated companies, including (i) the 40% equity interest in Shanghai Nanyuan Industry Development Co., Ltd. (上海南院實業發展有限公司); (ii) 90% equity interest in Chongqing Anle Services Co., Ltd. (重慶安樂服務有限公司); (iii) 18% equity interest in Chongqing Anle Funeral Service Co. Ltd. (重慶安樂殯儀服務有限公司); (iv) 20% equity interest in Hefei Dashushan Culture Cemetery Co., Ltd. (合肥大蜀山文化陵園有限公司); and (v) 55% equity interest in Henan Fu Shou Yuan Industry Co., Ltd. 河南福壽園實業有限公司, before the completion of the Reorganization
“Shanghai Zhongfu”	Shanghai Zhongfu International Trading Co., Ltd. (上海眾福國際貿易有限公司)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“SPV”	an indirect wholly-owned subsidiary of the Company to be utilized for holding the Group’s equity interest in the JV
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	a limited liability company to be established under the laws of the PRC
“Target Group”	the Target and its subsidiaries after completion of the Reorganization
“WOFE”	Shanghai New Everstep Consultancy and Management Ltd. (incorporated in Shanghai), a wholly-owned foreign enterprise established under the laws of the PRC, which is indirectly wholly-owned by the Company and will be utilized for acquiring the Other Assets
“Zhongfu Anhe Assets”	(i) the 40% equity interest in Shandong Fu Shou Yuan Development Co., Ltd. (山東福壽園發展有限公司) held by China Zhongfu Industry Co., Ltd.; and (ii) the 40% equity interest in Hefei Dashushan Culture Cemetery Co., Ltd. (合肥大蜀山文化陵園有限公司) held by Anhui Anhe Investment Consulting Co., Ltd. as at the date of the Agreement
“%”	per cent

By Order of the Board
China HealthCare Holdings Limited
Zhou Bao Yi
Executive Director

Hong Kong, 13 October 2010

As at the date of this announcement, the Board comprises two executive Directors, namely, Dr. Li Zhong Yuan and Mr. Zhou Bao Yi; one non-executive Director, namely, Mr. Martin Treffer; and three independent non-executive Directors, namely, Mr. Mu Xiangming, Mr. Jiang Bo and Dr. Yan Shi Yun.

** for identification purpose only*