THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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 DISPOSAL
AND
CONNECTED TRANSACTION

Financial Adviser to China HealthCare Holdings Limited

Hercules

Hercules Capital Limited

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

博大資本國際有限公司
Partners Capital International Limited

A notice convening a special general meeting of China HealthCare Holdings Limited to be held at 10:00 a.m. on Monday, 12 December 2011 at 5/F., Building 88, 1199 North Qin Zhou Road, Caohejing Hi-Tech Park, Xuhui District, Shanghai, China is set out on pages 64 to 65 of this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the special general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

25 November 2011

* *for identification purposes only*

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Page

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

"Agreement"	the sale and purchase agreement dated 15 September 2011 entered into between the Vendors and the Purchasers in relation to the Disposal
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
"connected persons"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Sale Shares by the Vendors to the Purchasers pursuant to the Agreement
"First Sale Shares"	70% equity interest in Shanghai Harvest beneficially owned by the First Vendor
"First Vendor"	Harvest Network Limited, a company incorporated in the British Virgin Islands with limited liability, being a subsidiary of the Company beneficially holding 70% equity interest of Shanghai Harvest
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising Mr. Mu Xiangming, Mr. Jiang Bo and Dr. Yan Shi Yun, being all the independent non-executive Directors, formed by the Company to advise the Independent Shareholders as to whether the terms of the Agreement are fair and reasonable and whether the Disposal is in the interests of the Company

"Independent Financial Adviser" or "Partners Capital"	Partners Capital International Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities, and is the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal
"Independent Shareholders"	Shareholders which are not required to abstain from voting at the SGM convened for the approval of the transaction contemplated under the Agreement
"Latest Practicable Date"	23 November 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, and for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchasers"	Shanghai Huiqu and Shanghai Harvest
"Remaining Group"	the Group following the completion of the Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the First Sale Shares, the Second Sale Shares and the Third Sale Shares
"Second Sale Shares"	30% equity interest in Shanghai Harvest beneficially owned by the Second Vendor
"Second Vendor"	Shanghai De Yi Er Investment Management Consulting Co. Ltd. (上海德意爾投資管理諮詢有限公司), a company established under the laws of the PRC, being a subsidiary of the Company beneficially holding 30% equity interest of Shanghai Harvest
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Disposal

"Shandong Business"	the provision of B-to-C consumer services in Shandong Province
"Shanghai Harvest"	Shanghai Harvest Network Technology Co., Ltd. (上海德豐信息網絡技術有限公司), a company established under the laws of the PRC
"Shanghai Harvest Group"	Shanghai Harvest and its subsidiaries
"Shanghai Huiqu"	上海匯趣電子商務有限公司 (Shanghai Huiqu E-commence Company Limited), a company established under the laws of the PRC
"Shanghai Kejin"	Shanghai Kejin Network Technology Company Limited (上海科錦信息網絡技術有限公司), a company established under the laws of the PRC
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Third Sale Shares"	10% equity interest in Shanghai Kejin held by the Second Vendor
"US$"	United States dollar, the lawful currency of the United States of America
"Vendors"	the First Vendor and the Second Vendor
"%"	per cent

Unless otherwise stated, amounts quoted in RMB in this circular has been converted into HK$ at the rate of HK$1.00=RMB0.815. Such exchange rate has been used, where applicable, for illustrative purpose only and does not constitute a representation that any amount was or may have been exchanged at this or any other rate.

China HealthCare Holdings Limited
中國衛生控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 673)

Executive Directors:
Li Zhong Yuan
Zhou Bao Yi

Non-executive Director:
Martin Treffer

Independent Non-executive Directors:
Mu Xiangming
Jiang Bo
Yan Shi Yun

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit C, 19/F.
Entertainment Building
30 Queen's Road Central
Hong Kong

25 November 2011

To the Shareholders, and for information only, the holders of the preference shares and convertible notes of the Company

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcement made by the Company on 9 October 2011.

On 15 September 2011, the Vendors and the Purchasers entered into the Agreement, pursuant to which (i) the Vendors conditionally agreed to sell, and Shanghai Huiqu conditionally agreed to acquire, the entire equity interest in Shanghai Harvest for a total consideration of RMB35,910,836; and (ii) the Second Vendor conditionally agreed to sell, and Shanghai Harvest conditionally agreed to acquire, 10% equity interest in Shanghai Kejin for a consideration of RMB1.

* *for identification purposes only*

The Disposal constitutes a very substantial disposal and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and is therefore subject to the approval by the Independent Shareholders, by way of poll, at the SGM. The purpose of this circular is to provide you with, inter alia, (i) further details of the Disposal; (ii) the financial information relating to Shanghai Harvest Group; (iii) the pro forma financial information of the Remaining Group; (iv) the advices from the Independent Board Committee and the Independent Financial Adviser; (v) a notice of the SGM; and (vi) other information as required under the Listing Rules.

THE AGREEMENT

Date

15 September 2011

Parties to the Agreement

Purchaser:	(a)	Shanghai Huiqu, an investment holding company which was established under the laws of the PRC
	(b)	Shanghai Harvest, a subsidiary of the Company
Vendors:	Harvest Network Limited and Shanghai De Yi Er Investment Management Consulting Co. Ltd., both are subsidiaries of the Company	

Assets to be disposed of

The First Sale Shares and the Second Sale Shares, which represent the entire equity interest in Shanghai Harvest, and the Third Sale Shares, which represent 10% equity interest in Shanghai Kejin.

Consideration

The total consideration for the Disposal is RMB35,910,837 (equivalent to approximately HK$44,062,377), which comprises the consideration for the First Sale Shares of RMB25,137,585 (equivalent to approximately HK$30,843,663), the consideration for the Second Sale Shares of RMB10,773,251 (equivalent to approximately HK$13,218,713) and the consideration for the Third Sale Shares of RMB1 (equivalent to approximately HK$1.2). The consideration is payable in cash.

The consideration for the Disposal was determined after arm's length negotiations between the Vendors and the Purchasers with reference to the unaudited consolidated net asset value of Shanghai Harvest Group and the historical performance of Shanghai Harvest Group for the past years.

Conditions precedent

Completion of the Agreement is conditional upon, inter alia:

a) Shanghai Huiqu being satisfied with the results of the due diligence on, including but not limited to, the legal, financial and operation of Shanghai Harvest Group;

b) the approval of the Agreement and transactions contemplated thereunder by the Independent Shareholders at the SGM;

c) the approval of the transfer of Sale Shares contemplated under the Agreement by the respective board of directors of the Purchasers and the Vendors; and

d) no statute, regulation or decision which would prohibit, restrict or materially delay the Disposal having been proposed, enacted or taken by any governmental or official authority.

The transfers of the First Sale Shares, the Second Sale Shares and the Third Sale Shares are inter-conditional and shall be completed simultaneously. Shanghai Huiqu may waive the condition (a) by written notice to the Vendors. Completion of the Agreement shall take place on a date to be mutually agreed by the parties to the Agreement after the date on which all conditions are satisfied or, as the case may be, waived. If any of the conditions is not satisfied or, as the case may be, waived by Shanghai Huiqu on or before 31 December 2011, or such later date as agreed by the parties to the Agreement (in any event not later than six months after the date of the Agreement), in writing, Shanghai Huiqu shall have the right to elect not to proceed with the Disposal and the Agreement shall lapse save in respect of claims arising out of any antecedent breach. As at the Latest Practicable Date, Shanghai Huiqu has no current intention to waive the condition (a).

INFORMATION ON SHANGHAI HARVEST GROUP

Shanghai Harvest was established in November 2000 under the laws of the PRC. It has a registered capital of RMB40 million and was beneficially owned as to 70% by the First Vendor and 30% by the Second Vendor as at the Latest Practicable Date. Shanghai Kejin was established in June 2003 under the laws of the PRC. It was owned as to 90% by Shanghai Harvest and 10% by the Second Vendor as at the Latest Practicable Date.

Shanghai Harvest Group is principally engaged in B-to-C e-payment services and distributions, including e-commence distribution of mobile pre-charge, sales of mobile phone usage fees and provision of payment solution service. Shanghai Harvest Group has a proprietary platform for e-commerce services and proprietary multi-functional Point of Sale (POS) systems and has been conducting its B-to-C business in mobile phone pre-payment field through its POS systems. Furthermore, Shanghai Harvest Group has expanded its business in the third party payment service sector by upgrading its information technology platform and connecting it with China UnionPay, which enables retail outlets and households to process payments of credit card bills through its POS payment terminals.

The revenue of Shanghai Harvest Group decreased substantially from approximately HK$2,756.6 million for the year ended 31 March 2010 to approximately HK$43.9 million for the year ended 31 March 2011 as the purchase agreements entered into between Shanghai Harvest Group and the telecommunication operators were expired and renewed by the consignment agreements with effect from April 2010. Accordingly, Shanghai Harvest Group has acted as a consignee of the telecommunication operators for distributing the mobile pre-charge cards in Shanghai and received and recorded gross commission income, instead of gross sales amount, generated from sale of mobile pre-charge cards as its revenue since then.

The unaudited consolidated financial information of Shanghai Harvest Group, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, for the two years ended 31 March 2011 are summarized as follows:

	For the year ended 31 March	
	2011	**2010**
	(HK$'000)	*(HK$'000)*
Revenue	43,891	2,756,646
Loss before taxation and extraordinary items	(4,048)	(4,824)
Net loss for the year	(4,833)	(5,115)

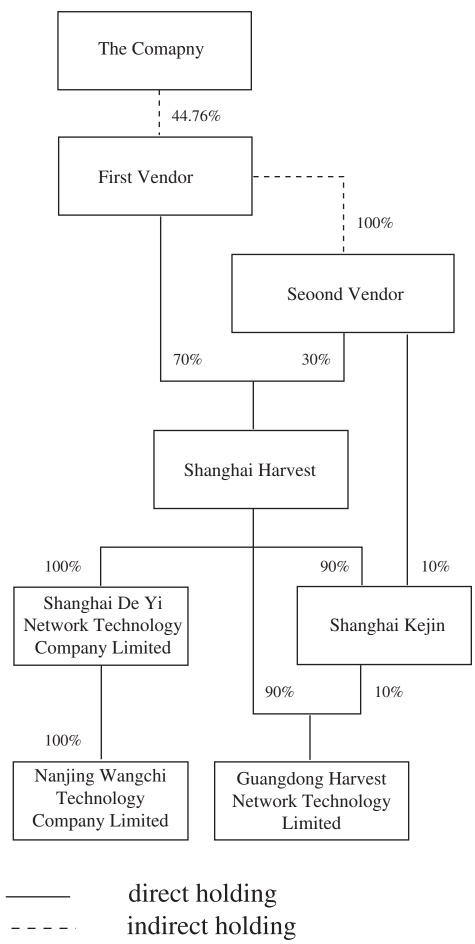
As at 31 March 2011, Shanghai Harvest Group had an unaudited consolidated net asset value of approximately HK$41,538,000.

Further details of Shanghai Harvest Group's financial information are set out in Appendix I to this circular.

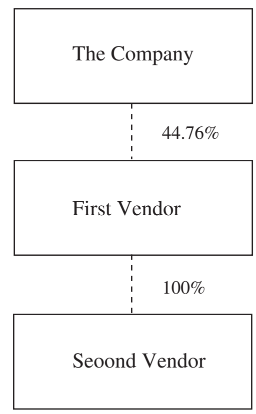
CORPORATE STRUCTURE OF THE GROUP

The following diagrams depict the simplified corporate structure of the Group before and after the completion of the Disposal, assuming that there will be no further change in the corporate structure from the Latest Practicable Date to the date of completion of the Disposal:

Before completion of the Disposal



After completion of the Disposal



Note: Given that the Group has the controlling power over the board of directors of the First Vendor, the First Vendor and its subsidiaries had been accounted for as the subsidiaries of the Company. As at the Latest Practicable Date, the 70% and 30% equity interests in Shanghai Harvest were held on trust by Shanghai Huiqu for and on behalf of the First Vendor and the Second Vendor.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the provision of B-to-C consumer services.

In December 2010, People's Bank of China issued the Administration Rules on Payment Services of Non-financial Institutions, which stipulated that all non-financial institutions providing third party payment services in the PRC must obtain a payment business licence with effect from 1 September 2011 and licence applications of foreign-owned enterprises shall be approved by the PRC State Council. Accordingly, Shanghai Harvest Group may have to suspend one of its businesses, bank card payment services, which falls within the definition of third party payment services, until the payment business licence is granted. Without having Shanghai Harvest Group off the Group, the Directors believe that it is highly unlikely for Shanghai Harvest Group to obtain the approval from the PRC State Council for the license application given the stringent restrictions on "offshore control" over domestic third party payment service sector in the PRC.

Having considered the abovementioned factors and the loss-making track record of Shanghai Harvest Group for the two years ended 31 March 2011, the Directors are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole as it can prevent the Group from incurring further loss and provide an opportunity for the Group to reallocate its resources on its profitable business. Moreover, given that (i) the Company has put considerable resources in the development of Shanghai Harvest Group and expected to realize its investment in Shanghai Harvest Group at a reasonable price, while the Purchaser is the only purchaser who was willing to acquire Shanghai Harvest at a consideration acceptable to the Company; (ii) the other potential purchasers, being competitors of Shanghai Harvest Group, requested the Company to provide detailed and sensitive information of Shanghai Harvest Group, which the Directors consider that if the negotiations with the potential purchasers fail, the disclosure of such sensitive information will adversely affect the operation of Shanghai Harvest Group and further affect the interests of the Company and its Shareholders; and (iii) the other potential purchasers requested the obtaining of the payment business licence as one of the conditions precedent for the sale and purchase of Shanghai Harvest Group, which is impracticable to Shanghai Harvest Group as long as the Company remains as the beneficial owner of Shanghai Harvest Group, the Directors are of the view that the disposal of Shanghai Harvest to Shanghai Huiqu is in the interest of the Company and the Shareholders as a whole. The Directors also consider that the terms of the Agreement, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, are fair and reasonable and in the interests of the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds of the Disposal (after payment of professional fees and other related expenses) are estimated to be approximately RMB34.9 million (equivalent to approximately HK$42.8 million). The Company intends to apply the net proceeds from the Disposal for general working capital of the Group and reducing corporate liabilities.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of the Agreement, the Company shall no longer hold any equity interest in Shanghai Harvest and Shanghai Kejin. Shanghai Harvest shall cease to be a subsidiary of the Company since then.

As set out in the unaudited pro forma financial information on the Remaining Group in Appendix II to this circular, if the Disposal had been completed on 1 April 2010, a gain of approximately HK$2.3 million would have been recognized in the consolidated accounts of the Company and the consolidated net loss for the year ended 31 March 2011 attributable to the owners of the Company would have decreased from approximately HK$208.2 million to approximately HK$205.0 million. If the Disposal had been completed on 31 March 2011, the consolidated total assets and total liabilities of the Group would have increased by approximately HK$31.9 million and HK$30.8 million respectively.

LISTING RULES IMPLICATION

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. As Ms. Zhang Yijuan and Ms. Zhou Lifen, being the substantial shareholders holding 60.98% and 39.02% equity interest of Shanghai Huiqu respectively, are the general manager and financial controller of Shanghai Harvest respectively, they are considered as connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Agreement and transactions contemplated thereunder are subject to the Independent Shareholders' approval, by way of poll, at the SGM.

As at the Latest Practicable Date, Ms. Zhang Yijuan, Ms. Zhou Lifen and their respective associates did not hold any Share while Dr. Li Zhong Yuan, who held 7.6% equity interest in the First Vendor as at the Latest Practicable Date, and his associates held 30,687,000 Shares, representing approximately 11.71% of the total issued share capital of the Company, as at the Latest Practicable Date. By virtue of his interests in the Disposal, Dr. Li Zhong Yuan abstained from voting on the board resolution approving the Disposal. Dr. Li Zhong Yuan and his associates shall also abstain from voting on the resolution approving the Disposal at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Dr. Li Zhong Yuan and his associates, no other Shareholders are required to abstain from voting on the resolution approving the Disposal at the SGM.

SGM

The SGM will be convened and held at 10:00 a.m. on Monday, 12 December 2011 at 5/F., Building 88, 1199 North Qin Zhou Road, Caohejing Hi-Tech Park, Xuhui District, Shanghai, China to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

A notice convening the SGM is set out on pages 64 to 65 of this circular and the form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

The Directors consider that the terms and conditions of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
China HealthCare Holdings Limited
Zhou Bao Yi
Executive Director

China HealthCare Holdings Limited
中國衛生控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 673)

25 November 2011

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

We refer to the circular issued by the Company to the Shareholders dated 25 November 2011 (the "Circular"), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

As the Disposal constitutes a very substantial disposal and connected transaction for the Company under the Listing Rules, the completion of which is subject to, among other things, the approval of the Independent Shareholders at the SGM. We have been appointed by the Board to consider whether the Disposal, in our opinion, is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Partners Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the Disposal is fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Agreement and transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mu Xiangming **Jiang Bo** **Dr. Yan Shi Yun**

Independent non-executive Directors

* *for identification purposes only*

The following is the text of a letter to the Independent Board Committee and the Independent Shareholders from Partners Capital in respect of the terms of the Agreement prepared for the purpose of incorporation in this circular.

博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Unit 3906, 39/F, COSCO Tower
Hong Kong

25 November 2011

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement, particulars of which are set out in the letter from the Board (the "Letter from the Board") of the circular to the shareholders (the "Shareholders") of the Company dated 25 November 2011 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, the Vendors and Shanghai Harvest and Shanghai Huiqu entered into the Agreement on 15 September 2011, pursuant to which (i) the Vendors conditionally agreed to sell, and Shanghai Huiqu conditionally agreed to acquire, the entire equity interest in Shanghai Harvest for a consideration of RMB35,910,836; and (ii) the Second Vendor conditionally agreed to sell, and Shanghai Harvest conditionally agreed to acquire, 10% equity interest in Shanghai Kejin for a consideration of RMB1.

We are not connected with the Directors, chief executive and substantial shareholders of the Company or the Purchasers or any of its subsidiaries or their respective Associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective Associates.

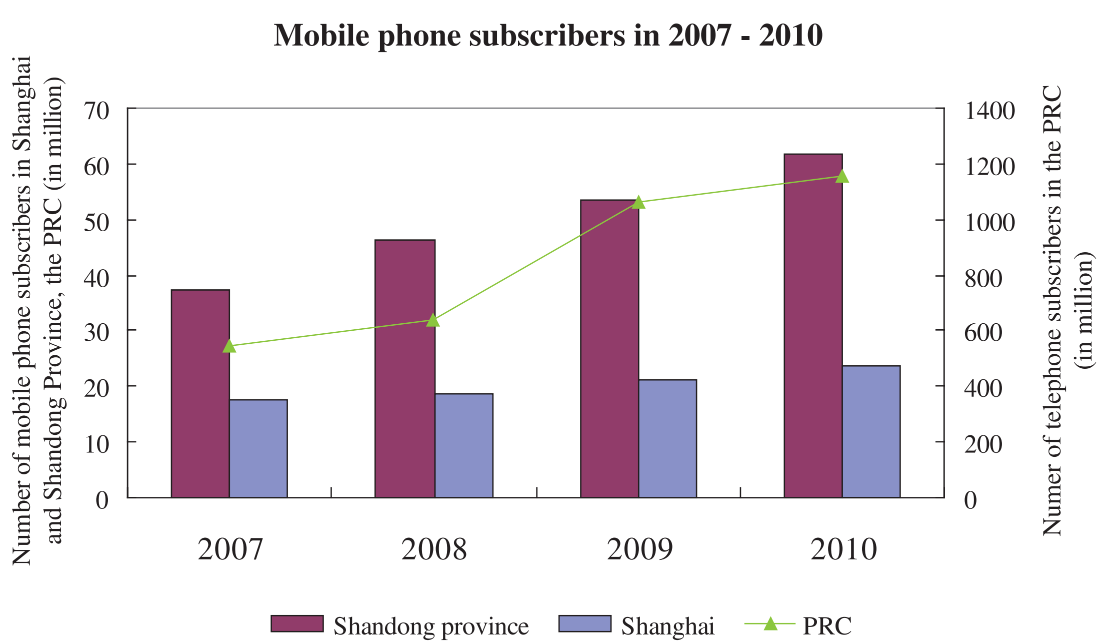
In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the Directors and management of the Company regarding the Group and the Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Purchasers and their respective Associates nor have we carried out any independent verification of the information supplied.

THE DISPOSAL

In arriving at our opinion regarding the terms of the Agreement, we have considered the following principal factors and reasons:

1. Background information

Number of mobile phone subscribers in Shanghai and Shandong Province



Source: *中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of People's Republic of China)*

According to 中華人民共和國工業和信息化部 (Ministry of Industry and Information Technology of People's Republic of China), the total number of telephone subscribers in the PRC reached approximately 1.2 billion in 2010, where approximately 859 million are mobile phone subscribers, representing approximately 74.5% of the overall telephone subscribers in the PRC. The number of mobile phone subscribers in Shanghai and Shandong province increased 11.8% and 15.9% respectively in 2010 as compared to previous year. Up to June 2011, there are total of approximately 920.5 million mobile phone subscribers in the PRC, where 24.4 million and 65.1 million subscribers are from Shanghai and Shandong province respectively. As stated in an article from 山東通信管理局 (Shandong Communication Administration), in August 2011, the number of mobile phone subscribers in Shandong province further increased to 67.5 million, becoming the second largest mobile market in the PRC.

非金融機構支付服務管理辦法 (the Administration Measures for Payment Services of Non-financial Institutions, the "Measures") issued by the People's Bank of China in December 2010

Pursuant to the Measures, non-financial institutions providing third party payment services in the PRC is required to obtain a payment business licence with effect from 1 September 2011 and licence applications of foreign-owned enterprises shall be approved by the PRC State Council. The Measures provide the following requirements which must be met to apply for and obtain a payment business licence: (i) the applicant shall be a limited liability company or a joint stock limited company duly incorporated under PRC laws within China and shall be a non-financial institution with legal person status; (ii) the applicant shall have minimum registered capital as specified under the Measures; (iii) the investor of the applicant shall satisfy certain requirements including, but not limited to, providing information processing and supporting service for financial institutions or e-commerce activities for more than two consecutive years up to the application date; have made profits for more than two consecutive years; and have not been punished for committing illegal criminal activities by abusing payment business or handling payment business for illegal criminal activities etc. for the latest three years, as provided in the Measures; (iv) the applicant shall have personnel, offices and facilities, organizations, internal management system and anti-money laundering measures etc.

The Group

The Group is principally engaged in provision of B-to-C consumer services in E-distribution of mobile pre-charge and sales of medical devices and consumables for the year ended 31 March 2011. The table below sets out the audited consolidated financial performance of the Group, revenue and segment contribution from each business segment (based on discussion with the management of the Group) for the three years ended 31 March 2011:

Expressed in HK$'million

	For the year ended 31 March		
	2011	**2010**	**2009**
Turnover			
B-to-C consumer services in Shanghai	43.9	2,756.6	2,858.4[3]
B-to-C consumer services in Shandong	13.7	–	–
Total B-to-C consumer services	57.6	2,756.6	2,858.4
Sales of medical devices & consumables[1]	20.8	13.1	5.0
B-to-B healthcare services[2]	–	6.7	7.4
Turnover	78.4	2,776.4	2,870.8
Segment results			
B-to-C consumer services in Shanghai	8.9	(9.7)	2.1
B-to-C consumer services in Shandong	12.9	(0.9)	–
B-to-C consumer services	21.8	(10.6)	2.1
Sales of medical devices & consumables[1]	4.1	(2.3)	(1.4)
B-to-B healthcare services[2]	–	(2.9)	(1.6)
Segment results	25.9	(15.8)	(0.9)
Total comprehensive expenses of the Group	(174.4)	(96.3)	35.8

1 *The Company disposed its subsidiaries which carried out all of the Group's operation in sales of medical devices & consumables after 31 March 2011 as disclosed in its 2011 annual report.*

2 *The Company disposed its subsidiaries which carried out all of the Group's B-to-B healthcare services operation. The disposal was completed on 31 July 2010 as disclosed in its 2011 annual report.*

3 *According to the management of the Group, for the year ended 31 December 2009, B-to-C services in Shanghai includes Shanghai Epay Information Technology Company Limited which was disposed on 2 June 2009 as disclosed in its 2009 annual report.*

As stated in the 2010 annual report of the Company, the operation of the Group's consumer services business has had a decrease of about 3.6% in terms of overall revenue as compared to 2009. The Group recorded approximately 97.9% decrease in revenue from approximately HK$2.8 billion for the year ended 31 March 2010 to HK$78.4 million for the year ended 31 March 2011 mainly due to (i) the Group's B-to-C consumer service in Shanghai is entitled to act as agents of consignors upon the new consignment agreements effective since April 2010 and the revenue of the Group's B-to-C consumer service business is based on distribution rebate; and (ii) as advised by the Group's management, a general downward adjustment of rebate to the Group from the range of approximately 2.4% to 1.5% beginning from 2009 by telecommunication operator in Shanghai on distribution of mobile top-up in paper form.

The percentage of turnover of B-to-C consumer services in Shanghai and Shandong were 100% and nil respectively for the year ended 31 March 2010 and 76.2% and 23.8% respectively for the year ended 31 March 2011.

The table below summarises the financial information of B-to-C consumer services in Shanghai and Shandong on distribution of mobile pre-charge for the two years ended 31 March 2011:

Expressed in HK$'million	**For the year ended 31 March**	
	Shandong	
	2011	**2010**
Turnover	13.7	–
Cost of goods sold	(0.8)	–
Gross profit	12.9	–
Gross profit margin (%)	94.0%	–
Distribution, administrative and other operating expenses and finance costs	3.7	–
Tax expenses	2.4	–
Total comprehensive income/(expenses)	7.1	–

For the year ended 31 March 2011, the Group received and recorded commission income from provision of B-to-C consumer services to telecommunication operators in Shanghai and Shandong. As shown above, B-to-C consumer services, which are carried out by the Group in Shanghai and Shandong, is the most significant business of the Group in terms of revenue contribution of 73.4% and 99.3% for the two years ended 31 March

2011. For the year ended 31 March 2011, gross profit of B-to-C consumer services in Shanghai recorded HK$16 million and HK$12.9 million in Shandong, representing a gross profit margin of 36.4% and 94% respectively. For the year ended 31 March 2011, B-to-C consumer services segment recorded total comprehensive expenses of HK$3.1 million in Shanghai and total comprehensive income of HK$7.1 million in Shandong. The Group through its agents built-up a distribution network of mobile top-up which has enabled its point of sale ("POS") terminals of over 8,000 distribution outlets (convenience stores and others) and payment solution services in Shanghai, while the Group directly manages and services POS-enabled retail outlets and developed a distribution network of mobile top-up of over 26,000 POS-enabled retail outlets in Jinan and Qingdao in Shandong province.

Effective from April 2010, Shanghai Harvest Group entered into an agreement with a telecommunication operator in Shanghai in relation to e-distribution and distribution of mobile pre-charge services for the year ended 31 March 2011. According to the agreement, Shanghai Harvest Group receives and records gross commission for the mobile pre-charge services in Shanghai instead of gross sales amount generated from sale of mobile pre-charge cards as its revenue. Shanghai Harvest Group renews its agreement with telecommunication operator in Shanghai annually. As at the Latest Practicable Date, the agreement between Shanghai Harvest Group and telecommunication operator has expired and we are advised that negotiation for renewal has been carried out between Shanghai Harvest Group and telecommunication operator.

Pursuant to the agreement entered into between Shandong Harvest Mobile Communication Technology Company Limited ("Shandong Harvest"), which is owned as to 44.75% by the Group, and a mobile telecommunication operator in Shandong dated 1 October 2010, Shandong Harvest is appointed as its preferred business strategic partner in relation to e-distribution and distribution of mobile pre-charge services through a mobile top-up service IT platform in Shandong for the three years ending 30 September 2013. According to the said agreement, Shandong Harvest receives a commission at a fixed rate for the mobile pre-charge services in Shandong. As disclosed in the 2011 annual report, Shandong Harvest has developed over 26,000 POS-enabled retail outlets in Jinan (濟南) and Qingdao (青島) in Shandong province. As discussed with the management of the Group on the development plan, as at the 30 September 2011, Shandong Harvest has developed over 27,000 POS-enabled retail outlets in Jinan and Qingdao and deployed over 40 personnel in Shandong province. Shandong Harvest expects over 16,000 new POS-enabled retail outlets in Jinan, Qingdao, Weifang (濰坊) and Jining (濟寧) in Shandong province in 2012 and 20 additional personnel will be deployed for further expansion. Shandong Harvest plans to develop and expand to a minimum of 60,000 POS-enabled retail outlets with e-distribution and distribution of mobile pre-charge services in Shandong by 2013. Having regard to the progress of expansion in terms of the number of POS-enabled retail outlets since 1 October 2010 and the human resources deployment plan, we concurred with the Directors that the expansion plan of Shandong Harvest as stated in the agreement between Shandong Harvest and such telecommunication operator is reasonable.

The table below sets out the audited consolidated financial position of the Group as at 31 March 2009, 2010 and 2011:

Expressed in HK$'million

	As at 31 March		
	2011	**2010**	**2009**
Non-current assets	6.4	43.1	42.9
Current assets	282.8	251.8	237.8
Current liabilities	(160.7)	(316.3)	(218.1)
Net current assets/(liabilities)	122.1	(64.5)	19.7
Non current liabilities	(226.3)	(0.4)	–
Net assets/(liabilities)	(97.8)	(21.8)	62.5

As shown in the audited financial position above, the Group continued to record net liabilities as at 31 March 2010 and 2011, which implies the Group was in long term solvency and liquidity problem. As disclosed in its 2011 annual report, the Group continued to be insolvent due to its obligations of the convertible bond of outstanding principal of about US$5.39 million as of the date and the redeemable convertible preference shares of outstanding principal US$15 million. The independent auditor of the Company has stated in the independent auditor's report that the consolidated financial statements for the year ended 31 March 2011 have been prepared assuming that the Group will continue as a going concern. Without qualifying the audit opinion, the independent auditor has indicated that the Group incurred a net loss of approximately HK$182,135,000 during the year ended 31 March 2011 and, as of that date, the Group's total liabilities exceed its total assets by approximately HK$97,815,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The Directors have considered injection of substantial external resources and bring in viable asset(s) and/or project(s) to enable a restructuring of its defaulted financial obligations and advised that no legal binding acquisition has been made since the publication of its 2011 annual report to the Latest Practicable Date.

Shanghai Harvest Group

Shanghai Harvest is a limited liability company established in November 2000 under the laws of the PRC. It has a registered capital of RMB40 million and was indirectly owned as to 44.76% by the Company.

Shanghai Harvest Group is principally engaged in B-to-C e-payment and distributions, including e-distribution of mobile pre-charge, sales of mobile phone usage fees and provision of payment solution service in Shanghai. Shanghai Harvest Group has a proprietary platform and has been conducting its B-to-C business in mobile phone pre-payment field through its e-commerce services and proprietary multi-functional POS systems. Shanghai Harvest Group also expanded its business in the third party payment service sector and connecting it with China UnionPay, which enables retail outlets and households to process payments of credit card and utilities bills and recharge of online games credit etc. through its POS payment terminals.

A summary of the consolidated financial information of Shanghai Harvest Group, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, is set out below:

Expressed in HK$'million	**(Unaudited) For the five months ended 31 August 2011**	**(Unaudited) For the year ended 31 March 2011**	**2010**	**2009**
Turnover	17.1	43.9	2,756.6	2,836.6
Gross profit	5.9	16.0	14.8	17.7
Gross margin	34.5%	36.4%	0.5%	0.6%
Distribution expenses	3.0	7.1	4.8	4.2
Administrative expenses	4.3	14.4	13.9	9.6
Other operating expenses and finance costs	0.1	0.7	1.5	0.2
Tax expenses	0.6	0.8	0.3	1.4
Total comprehensive income/(expenses) attributable to owners of Shanghai Harvest Group	(1.5)	(3.1)	(5.0)	5.0
Non-current assets	7.6	5.1	8.3	5.6
Net current assets	32.8	36.7	36.7	44.0
Non current liabilities	(0.3)	(0.3)	(0.4)	–
Net assets	40.0	41.5	44.6	49.6

As stated in the Letter from the Board, with effective from 1 April 2010, after expiration of the purchase agreements entered into between Shanghai Harvest Group and the telecommunication operators, Shanghai Harvest Group entered into consignment agreements to replace the previously signed purchase agreements. Shanghai Harvest Group is entitled to act as agents of consignors to distribute the mobile pre-charge and receive and recorded gross commission income in return instead of gross sales amount generated from sale of mobile pre-charge cards as its revenue since then.

Shanghai Harvest Group continued to record total comprehensive expenses for the two years ended 31 March 2010 and 2011 and five months ended 31 August 2011. The total comprehensive expenses attributable to owners of Shanghai Harvest Group was HK$5.0 million, HK$3.1 million and HK$1.5 million for the two years ended 31 March 2010 and 2011 and five months ended 31 August 2011 respectively. The distribution expenses increased from HK$4.8 million for the year ended 31 March 2010 to HK$7.1 million for the year ending 31 March 2011 were mainly due to the increase of commission payable to the distribution agents of Shanghai Harvest Group. Due to the poor profit margin from the distribution of the mobile pre-charge in Shanghai, the Shanghai Harvest Group decided to divert and re-orient its business to bank card payment services.

In December 2010, the Measures were enacted that enterprises with offshore ownership or control are highly regulated in payments sector, and in order to comply with such newly enacted regulations, the strategic growth initiative of Shanghai Harvest Group in expanding into payments sector would have to be curtailed and aborted. Shanghai Harvest applied for the payment business licence during the first quarter of 2011 however they have not received approval from the government authorities. The Directors believe that given the stringent restrictions on "offshore control" over domestic third party payment service sector in the PRC, it is unlikely for Shanghai Harvest Group to obtain the approval from the PRC State Council for the license application without having Shanghai Harvest Group craved out from the Group. As stated in the Letter from the Board, Shanghai Harvest Group may have to defer its development on bank card payment services business, which falls within the definition of third party payment services, until the payment business licence is granted.

2. Rationale behind the Disposal and benefits to the Group

Effective from 1 April 2010, Shanghai Harvest Group acts as an agent with the telecommunication operators in Shanghai and receive commission income with a poor profit margin. As at 31 March 2011 and five months ended 31 August 2011, the net assets value of Shanghai Harvest Group was approximately HK$41.5 million and HK$40 million respectively. The total comprehensive expenses attributable to owners of Shanghai Harvest for two years ended 31 March 2011 and five months ended 31 August 2011 were approximately HK$5 million, HK$3.1 million and HK$1.5 million respectively. According to the Group's legal adviser, there is legal impediment for Shanghai Harvest Group, a subsidiary of the Company and a foreign invested company, to secure a payment business licence to develop bank card payment services in Shanghai. We concurred with the Directors that it is in the interest of the Group to dispose Shanghai Harvest Group to prevent the Group from incurring further loss and cash outflow.

Given no legal binding acquisition target have been confirmed identified by the Group to bring viable asset(s) and/or project(s) to enable a restructuring of its defaulted financial obligations, we concur with the Directors that the Disposal represents a good opportunity for the Group to liquidate its interest in Shanghai Harvest Group in order to reallocate its resources on its profitable business and avail the Group to conserve financial resources for the funding of future investments when opportunities arise to improve its solvency problem.

We were advised by the Directors that, in 2011, the Group has negotiated with certain potential buyers, which are principally engaged in the similar business of Shanghai Harvest Group in Shanghai, with a view to dispose of the Shanghai Harvest Group. We were also told that (i) during the negotiation process the potential buyers have requested the Company to provide detailed and sensitive information of Shanghai Harvest Group, including but not limited to the technologies of e-payment and POS systems, the Directors consider that if the negotiations with the potential purchasers fail, the disclosure of such sensitive information will adversely affect the operation of Shanghai Harvest Group and further affect the interest of the Company and its Shareholders; and (ii) the potential buyer requested the obtaining of the payment business licence as one of the conditions precedent for the disposal, which is impracticable to Shanghai Harvest Group as long as the Company remains as the beneficial owner of Shanghai Harvest Group. The Directors therefore consider that disposal of Shanghai Harvest Group to Shanghai Huiqu, which was owned by Ms. Zhang Yijuan and Ms. Zhou Lifen, being the financial controller and general manager of Shanghai Harvest, would save administrative burden and resources of the Group.

Having regard to the above and in particular (i) the market condition in Shandong province is relatively more favourable than Shanghai in terms of the scale of mobile subscribers; (ii) Shandong Business enjoys a higher profit margin as compared to Shanghai Harvest Group; (iii) Shanghai Harvest Group has recorded operating loss for the two years ended 31 March 2010 and 2011 and the five months ended 31 August 2011; (iv) Shanghai Harvest Group is very unlikely to obtain payment business licence to expand to a new business sector; and (v) the management of the Group would be able to concentrate on dealing with financial distress as disclosed in its 2011 annual report and the independent auditor's report which partly contributed by loss and cash outflow of Shanghai Harvest Group and to conserve resources to bring viable asset(s) and/or project(s) into the Group to improve its solvency problem; and (vi) eliminate further resources to identify other potential buyer of Shanghai Harvest Group, we consider that the Disposal is justifiable with commercial rationale.

3. Terms of the Disposal

Subject of the Disposal

It is stated in the Letter from the Board that pursuant to the Agreement, (i) the Vendors have conditionally agreed to sell and Shanghai Huiqu agreed to acquire the First Sale Shares and the Second Sale Shares, representing the entire equity interest in Shanghai Harvest; and (ii) Shanghai Harvest agreed to acquire the Third Sale Shares, representing 10% equity interest in Shanghai Kejin.

Consideration of the Disposal

Pursuant to the Agreement, the Vendors shall sell and the Shanghai Huiqu shall acquire the entire equity interest in Shanghai Harvest and the Second Vendor shall sell 10% equity interest in Shanghai Kejin to Shanghai Harvest at a total cash consideration of the Disposal of RMB35,910,837 (equivalent to approximately HK$44,062,377), which is to be paid in the following manner:

(a) as to RMB25,137,585.2 (equivalent to approximately HK$30,843,662.8), to be paid by Shanghai Huiqu to First Vendor immediately upon the fulfillment of the conditions precedents and provided the documents required by the Purchasers as described in the paragraph headed "Conditions precedent" in the Letter of the Board;

(b) as to RMB10,773,250.8 (equivalent to approximately HK$13,218,712.6), to be paid by Shanghai Huiqu to Second Vendor upon the fulfillment of the condition precedents and provided the documents required by the Purchasers as described in the paragraph headed "Conditions precedent" in the Letter of the Board; and

(c) as to RMB1 (equivalent to approximately HK$1.2), to be paid by Shanghai Harvest to Second Vendor upon the fulfillment of the condition precedents and provided the documents required by the Purchasers as described in the paragraph headed "Conditions precedent" in the Letter of the Board.

The consideration of the Disposal was determined after arm's length negotiations between the Vendors and the Purchasers with reference to, in particular, the consolidated net asset value of Shanghai Harvest Group as at 31 March 2011. Given the whole amount of the consideration of the Disposal is to be received by the Vendors upon Completion, we consider that settlement terms of the consideration of the Disposal are fair and reasonable. Given Shanghai Harvest Group did not record any profit for the past two years and the consideration of the Disposal was determined with reference to the consolidated net asset value of Shanghai Harvest Group as at 31 March 2011, price earning approach to assess the fairness and reasonableness of the consideration of the Disposal is therefore not applicable. We considered that it is not inappropriate to assess the fairness and reasonableness of the consideration of the Disposal by price-to-book-value ("PBR") and price-to-tangible-book-value ("PTBR") approach, a commonly adopted benchmark in the valuation of loss-making companies. We have identified two Hong Kong listed companies which are principally engaged in selling and distribution of pre-paid mobile products and services and provides telecommunication point of sale solution and are similar business of Shanghai Harvest Group, i.e. e-payment services and distributions of mobile pre-charge cards. These listed companies (the "Comparables") were identified in our research on a best effort basis, and contain all of the relevant companies as identified by us and is set out below:

Company (stock code)	Principal business	Market capitalization as at 6 October 2011	Net asset value[1]	PE	PBR	PTBR
		HK$'million	*HK$'million*	*times*	*times*	*times*
Beijing Development (Hong Kong) Limited (154)	Operation of electronic payment and settlement business, system integration business, and provision of IT related services in Beijing, PRC	758.8	628.4	N/A	1.18	1.21
Directel Holdings Limited (8337)	Trading of airtime to mobile network operators and telesales dealership services in Hong Kong, Macau, Taiwan, PRC and other Asia Pacific territories	169.1	116.5	N/A	1.46	1.45
				Average:	1.32	1.33
Shanghai Harvest Group	B-to-C e-payment and distributions	44.1[2]	40.0[3]		1.10	1.30

Source: Bloomberg

1 *The net asset value are derived from the latest published financial statements*

2 *The total consideration for the Disposal is approximately RMB35,910,837 (equivalent to approximately HK$44,062,377)*

3 *The unaudited consolidated net asset value of Shanghai Harvest Group as at 30 August 2011 amounted to HK$40,025,000*

Upon comparison, we note that PBRs and PTBRs of the Comparables, which were calculated with reference to their respective market capitalization on 6 October 2011, being the date of the Agreement, and the amount of their respective latest published net asset values, range from approximately 1.18 times to approximately 1.46 times and approximately 1.21 times to approximately 1.45 times respectively, and the PBR and PTBR represented by the consideration of the Disposal and the unaudited consolidated net asset value of Shanghai Harvest Group as at 30 September 2011 is 1.10 times and 1.30 times respectively, which PBR is slightly below the range and PTBR is within the range of the Comparables, indicating the valuation of Shanghai Harvest Group is close to the range of its industry companies when using net assets as a benchmark. Having considered (i) the Group is now at financial distress as disclosed in its 2011 annual report; (ii) the level of cash and bank balance as at 30 September 2011 was only sufficient to cover the liabilities/obligations of the Group; (iii) an immediate opportunity for the Group to dispose Shanghai Harvest Group which incurred a sustainable loss since financial year ended 31 March 2010; (iv) the Disposal could bring in immediate cash resources (i.e. the sales proceeds from the Disposal) to the Group upon completion and enhance its liquidity and solvency position; (v) the Disposal could eliminate adverse financial effect of Shanghai Harvest Group from the Group; and (vi) the PTBR of Shanghai Harvest Group is within the range of the Comparables, we consider that the level of consideration of the Disposal is fair and reasonable as far as the Independent Shareholders are concerned.

4. Remaining business of the Group

After the completion of the Disposal, the Group will focus to engage in the provision of B-to-C consumer services in e-distribution of mobile pre-charge etc. in Shandong province, of which the Group will own as to 44.75%. The business of the provision of B-to-C consumer services in Shandong Province includes the provision of management and other services to the POS-enabled retail outlets and distribution of mobile pre-charge and sales of mobile usage fee in those retail outlets, which was commenced in July 2010. The Remaining Group shall continue to conduct its B-to-C consumer services in mobile top-up field through activating, growing, managing and servicing the POS-enabled retail outlets throughout Shandong Province. As mentioned in its 2011 annual report, the Group has reached the first in market share as a third party distributor in mobile top-up distribution market in Shandong province. On 1 October 2010, Shandong Harvest entered into an agreement with a telecommunication operator in Shandong for the three years ending 30 September 2013. Shandong Harvest is appointed as its preferred business strategic partner in relation to e-distribution and distribution of mobile pre-charge services with over 27,000 POS-enabled retail outlets in Shandong as at the Latest Practicable Date. Shandong Harvest plans to develop and expand its e-distribution and distribution of mobile pre-charge services through a mobile top-up service IT platform in Shandong. The Directors advised that as the Shandong Business does not involve third party payment service, and we have (i) studied a copy of the Measures; (ii) newsletter of Han Kun Law Offices and legal updates of Jun He Law Office which states the rules for the business scope, the qualifications of foreign investors; (iii) reviewed the agreement between the Group and telecommunication operator in Shandong; and (iv) business licence of Shandong Harvest which its business scope does not include third party payment service.

As advised by the Group's management, the development of the Shandong Business will be the Group's core operations which would continue to contribute revenue growth in the future. The Directors believe (i) the Disposal can provide resources for general working capital of the Remaining Group; and (ii) continuing to look for opportunity for the injection of external resource and bring in viable asset(s) and/or project(s) will enable a restructuring of its overdue financial obligations and improve on its solvency problem.

5. Financial effects of the Disposal

Shanghai Harvest Group is currently indirectly owned as to 44.76% by the Company whilst its financial performance and position are consolidated under acquisition method by the Company. Upon completion of the Disposal, the Group shall not have any equity interest in Shanghai Harvest Group and its financial performance and position will cease to be consolidated in the accounts of the Group.

Total comprehensive expenses attributable to the owners of the Company

As set out in the section headed "Pro forma financial information on Remaining Group" in Appendix II to the Circular, the consolidated total comprehensive expenses of the Company for the year ended 31 March 2011 was approximately HK$174.4 million which will be reduced to approximately HK$169.0 million assuming the Disposal had taken place on 31 March 2011, representing a decrease of 3.1%.

Net liability

The Group had consolidated net liability position of approximately HK$97.8 million as at 31 March 2011. As stated in the section headed "Pro forma financial information on Remaining Group" in Appendix II to the Circular, the Remaining Group's unaudited pro forma net liability position is to be slightly improved and reduced to approximately HK$96.7 million assuming the Disposal had taken place on 31 March 2011, representing a decrease of approximately 1.1%.

Cashflow

As per section headed "Pro forma financial information on Remaining Group" in Appendix II to the Circular, the cash and bank balance (including restricted bank balances) of the Group as at 31 March 2011 amounted to approximately HK$172.2 million. Given the consideration of the Disposal of approximately RMB35.9 million (approximately equivalent to HK$44.1 million) will be satisfied in full by way of cash upon completion of the Disposal, it is expected there will be a positive impact on the cashflow of the Remaining Group arising from the Disposal.

Based on the aforementioned analysis, the Disposal would have (i) a slight improvement on the total comprehensive expenses attributable to the owners of the Company, and (ii) a slight reduction in the Group's net deficient position and (iii) an immediate cash inflow to the Group upon completion of the Disposal. On such basis, we are of the view that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

6. Recommendation

Having considered the principal factors and reasons as discussed above, and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the operations of Shanghai Harvest Group incurred losses for the two years ended 31 March 2011;
- the Disposal provides an immediate opportunity for the Group to realise its investment in the B-to-C consumer services business in Shanghai;
- the PTBR behind the consideration for the Disposal is within the range of the Comparables; and
- the Disposal would result an immediate cash inflow to the Group which will slightly reduce the Group's net deficient position as referred to in Appendix II to the Circular

although the Disposal is not conducted in the ordinary and usual course of business of the Group, we consider that the terms of the Agreement and the Disposal are fair and reasonable and the Disposal is on normal commercial terms and in the interest of the company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal.

Yours faithfully,
For and on behalf of
Partners Capital International Limited
Alan Fung **Hickman Wong**
Managing Director *Director*

Set out below are the unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of Shanghai Harvest Group for each of the years ended 31 March 2009, 2010, 2011 and the five months ended 31 August 2010 and 2011 and the unaudited consolidated statements of financial position of Shanghai Harvest Group as at 31 March 2009, 2010, 2011 and 31 August 2011.

The financial information of Shanghai Harvest Group for the financial years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2010 and 2011 have been reviewed by the auditors of the Company, Zenith CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the financial information is not prepared, in all material respects, in accordance with the accounting policies adopted by the Group in its annual consolidated financial statements for the respective Relevant Periods (as defined in Note 2 to the financial information on Shanghai Harvest Group in Appendix I to this circular) and on the basis of preparation set out in Note 2 to the financial information on Shanghai Harvest Group.

I. UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 March			Five months ended 31 August	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	2,836,569	2,756,646	43,891	20,190	17,115
Cost of sales	(2,818,846)	(2,741,818)	(27,849)	(13,876)	(11,223)
Gross profit	17,723	14,828	16,042	6,314	5,892
Other income	2,126	605	3,343	1,018	86
Distribution expenses	(4,244)	(4,751)	(7,128)	(3,315)	(3,024)
Administrative expenses	(9,599)	(13,919)	(14,437)	(4,647)	(4,318)
Other operating expenses	(3)	(1,199)	(517)	(233)	(5)
Finance costs	(148)	(260)	(146)	(199)	(129)
Impairment losses recognised in respect of trade and other receivables	(404)	(128)	–	–	–
Impairment loss on goodwill	–	–	(1,205)	–	–
Profit (loss) before tax	5,451	(4,824)	(4,048)	(1,062)	(1,498)
Income tax expenses	(1,413)	(291)	(785)	(98)	(621)
Profit (loss) for the year/period attributable to owners of Shanghai Harvest Group	4,038	(5,115)	(4,833)	(1,160)	(2,119)
Other comprehensive income (expenses)					
Exchange differences arising on translation	1,011	152	1,781	(143)	606
Other comprehensive income (expenses) for the year/period	1,011	152	1,781	(143)	606
Total comprehensive income (expenses) for the year/period attributable to owners of Shanghai Harvest Group	5,049	(4,963)	(3,052)	(1,303)	(1,513)

II. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	4,968	5,113	3,811	6,389
Goodwill	–	1,157	–	–
Other intangible assets	622	2,012	1,329	1,198
	5,590	8,282	5,140	7,587
CURRENT ASSETS				
Inventories	25,349	20,978	1,213	1,609
Trade receivables	34,526	30,769	337	344
Prepayments, deposits and other receivables	3,912	2,981	59,604	86,112
Amounts due from group companies	1,136	24,867	45,456	20,474
Restricted bank balances	–	47,729	21,053	87,552
Bank balances and cash	8,719	–	–	–
	73,642	127,324	127,663	196,091
CURRENT LIABILITIES				
Trade payables	–	8	8	65
Secured bank loans	–	–	–	36,110
Other payables and accrued expenses	9,569	12,777	12,649	62,989
Amounts due to directors	4	–	–	–
Amounts due to group companies	19,255	76,974	76,606	62,529
Income tax payables	226	207	1,013	962
Dividend payables	625	627	653	662
	29,679	90,593	90,929	163,317
NET CURRENT ASSETS	43,963	36,731	36,734	32,774
TOTAL ASSETS LESS CURRENT LIABILITIES	49,553	45,013	41,874	40,361
NON-CURRENT LIABILITIES				
Deferred tax liabilities	–	423	336	336
NET ASSETS	49,553	44,590	41,538	40,025
CAPITAL AND RESERVES				
Share capital	38,835	38,835	38,835	38,835
Reserves	10,718	5,755	2,703	1,190
	49,553	44,590	41,538	40,025

III. UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Shanghai Harvest Group					
	Share capital HK$'000	Merger reserves HK$'000 (Note a)	Statutory reserves HK$'000 (Note b)	Foreign currency translation reserves HK$'000 (Note c)	Retained earnings (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2008	38,835	432	4,033	4,759	(3,555)	44,504
Profit for the year	–	–	–	–	4,038	4,038
Other comprehensive income for the year	–	–	–	1,011	–	1,011
Total comprehensive income for the year	–	–	–	1,011	4,038	5,049
At 31 March 2009 and 1 April 2009	**38,835**	**432**	**4,033**	**5,770**	**483**	**49,553**
Loss for the year	–	–	–	–	(5,115)	(5,115)
Other comprehensive income for the year	–	–	–	152	–	152
Total comprehensive income (expenses) for the year	–	–	–	152	(5,115)	(4,963)
At 31 March 2010 and 1 April 2010	**38,835**	**432**	**4,033**	**5,922**	**(4,632)**	**44,590**
Loss for the year	–	–	–	–	(4,833)	(4,833)
Other comprehensive income for the year	–	–	–	1,781	–	1,781
Total comprehensive income (expenses) for the year	–	–	–	1,781	(4,833)	(3,052)
At 31 March 2011	**38,835**	**432**	**4,033**	**7,703**	**(9,465)**	**41,538**
Loss for the period	–	–	–	–	(2,119)	(2,119)
Other comprehensive income	–	–	–	606	–	606
Total comprehensive income (expenses)	–	–	–	606	(2,119)	(1,513)
At 31 August 2011	**38,835**	**432**	**4,033**	**8,309**	**(11,584)**	**40,025**
At 1 April 2010	**38,835**	**432**	**4,033**	**5,922**	**(4,632)**	**44,590**
Loss for the period	–	–	–	–	(1,160)	(1,160)
Other comprehensive expenses	–	–	–	(143)	–	(143)
Total comprehensive expenses	–	–	–	(143)	(1,160)	(1,303)
At 31 August 2010	**38,835**	**432**	**4,033**	**5,779**	**(5,792)**	**43,287**

Notes:

(a) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganization.

(b) Statutory reserves, which are non-distributable, are appropriated from the profit after tax of subsidiaries of the Company in the People's Republic of China (the "PRC") under the applicable laws and regulations in the PRC.

(c) Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statement.

IV. UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Profit (loss) before tax	5,451	(4,824)	(4,048)	(1,062)	(1,498)
Adjustments for:					
Finance costs	148	260	146	199	129
Interest income	(119)	(192)	(219)	(65)	(131)
Amortisation of other intangible assets	228	313	579	235	124
Depreciation	2,892	1,622	2,819	623	608
Impairment losses recognised in respect of trade and other receivables	404	128	–	–	–
Impairment losses recognised in respect of goodwill	–	–	1,205	–	–
Loss on disposal of/written off of property, plant and equipment	3	495	2,285	170	23
Loss on disposal of other intangible assets	–	–	174	–	–
Operating cash flows before movements in working capital	9,007	(2,198)	2,941	100	(745)
(Increase) decrease in inventories	(13,432)	4,451	1,263	1,302	(328)
(Increase) decrease in trade receivables	(3,990)	4,064	1,258	416	12
(Increase) decrease in prepayments, deposits and other receivables	(416)	988	(6,675)	(13,884)	(23,179)
Increase (decrease) in amounts due from group companies	(1,136)	(23,735)	(19,557)	(31,743)	27,521
(Decrease) increase in trade payables	(1,938)	8	–	12,693	57
Increase (decrease) in other payables and accrued expenses	47	523	(658)	–	49,634
Increase (decrease) in amounts due to group companies	9,366	57,658	(1,197)	15,128	(18,355)
Cash (used in) from operations	(2,492)	41,759	(22,625)	(15,988)	34,617
Income tax paid	(1,998)	(311)	(66)	(198)	(672)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(4,490)	41,448	(22,691)	(16,186)	33,945

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(2,620)	(1,579)	(4,077)	(415)	(3,209)
Net cash outflow on acquisition of a subsidiary	–	(816)	–	–	–
Proceeds from disposal of property, plant and equipment	41	–	275	–	–
Interest received	119	192	219	65	131
NET CASH USED IN INVESTING ACTIVITIES	(2,460)	(2,203)	(3,583)	(350)	(3,078)
FINANCING ACTIVITIES					
Interest paid	(148)	(260)	(146)	(199)	(129)
Increase (decrease) in amounts due to directors	4	(4)	–	–	–
Proceeds from new secured bank loans	–	–	–	–	36,193
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(144)	(264)	(146)	(199)	36,064
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,094)	38,981	(26,420)	(16,735)	66,931
Effect of foreign exchange rate changes	875	29	(256)	(101)	(432)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	14,938	8,719	47,729	47,729	21,053
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	8,719	47,729	21,053	30,893	87,552
Analysis of cash and cash equivalents					
Restricted bank balances	–	47,729	21,053	30,893	87,552
Bank balances and cash	8,719	–	–	–	–
	8,719	47,729	21,053	30,893	87,552

NOTES TO THE FINANCIAL INFORMATION

For the years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2010 and 2011

1. GENERAL

On 15 September 2011, Harvest Network Limited and Shanghai De Yi Er Investment Management Consulting Co. Ltd. and the Purchasers entered into the Agreement pursuant to which (i) Harvest Network Limited and Shanghai De Yi Er Investment Management Consulting Co. Ltd. conditionally agreed to sell, and Shanghai Huiqu conditionally agreed to acquire, the entire equity interest in Shanghai Harvest for a total consideration of RMB35,910,836; and (ii) Shanghai De Yi Er Investment Management Consulting Co. Ltd. conditionally agreed to sell, and Shanghai Harvest conditionally agreed to acquire, 10% equity interest in Shanghai Kejin for a consideration of RMB1.

The consolidated financial statements are presented in HK$, which is different from the functional currency of the Company, RMB. As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in HK$.

2. BASIS OF PREPARATION

The financial information of Shanghai Harvest Group has been prepared in accordance with Rule 14.68(2)(a)(i) of the Listing Rules, and solely for the purposes of inclusion in this circular to be issued by the Company in connection with the Disposal.

The financial information has been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values. The amounts included in the financial information for the three years ended 31 March 2011 and the five months ended 31 August 2010 and 2011 (the "Relevant Periods") have been prepared using the same accounting policies adopted by the Group in the preparation of consolidated financial statements of the Group for the respective years in the Relevant Periods, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 ''Presentation of Financial Statements''.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods include the results and cash flows of Shanghai Harvest Group for each of the three years ended 31 March 2009, 2010 and 2011 and five months ended 31 August 2010 and 2011. The consolidated statements of financial position as at 31 March 2009, 2010 and 2011 and 31 August 2011 include the assets and liabilities of Shanghai Harvest Group as at the end of those reporting periods.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 31 March 2011; and (b) the results and cash flows of the Remaining Group as if the Disposal had been completed on 1 April 2010. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group as at 31 March 2011 or at any future date had the Disposal been completed on 31 March 2011 or the results and cash flows of the Group for the year ended 31 March 2011 or for any future period had the Disposal been completed on 1 April 2010.

The unaudited pro forma financial information is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2011, the audited consolidated statement of comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 March 2011 extracted from the audited consolidated financial statements of the Group and the financial information of Shanghai Harvest Group set out in Appendix I to this circular after giving effect to the pro forma adjustments described in the accompanying notes and was prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

I. UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group	**Pro forma adjustments**			**The Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	
NON-CURRENT ASSETS					
Property, plant and equipment	5,034	(3,811)	–	–	1,223
Other intangible assets	1,329	(1,329)	–	–	–
	6,363	(5,140)	–	–	1,223
CURRENT ASSETS					
Inventories	2,970	(1,213)	–	–	1,757
Trade receivables	20,447	(337)	–	–	20,110
Prepayments, deposits and other receivables	87,201	(59,604)	–	–	27,597
Amounts due from the Remaining Group	–	(45,456)	45,456	–	–
Amounts due from Shanghai Harvest Group	–	–	76,606	–	76,606
Restricted bank balances	100,173	(21,053)	–	42,637	121,757
Bank balances and cash	71,998	–	–	–	71,998
	282,789	(127,663)	122,062	42,637	319,825

	The Group	Pro forma adjustments			The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	
CURRENT LIABILITIES					
Trade payables	92	(8)	–	–	84
Other payables and accrued expenses	34,978	(13,302)	–	–	21,676
Amounts due to directors	545	–	–	–	545
Amounts due to the Remaining Group	–	(76,606)	76,606	–	–
Amounts due to Shanghai Harvest Group	–	–	45,456	–	45,456
Derivative component of redeemable convertible cumulative preference shares	121,577	–	–	–	121,577
Income tax payables	3,496	(1,013)	–	–	2,483
	160,688	(90,929)	122,062	–	191,821
NET CURRENT ASSETS	122,101	(36,734)	–	42,637	128,004
TOTAL ASSETS LESS CURRENT LIABILITIES	128,464	(41,874)	–	42,637	129,227
NON-CURRENT LIABILITIES					
Liability component of convertible bonds	45,188	–	–	–	45,188
Liability component of redeemable convertible cumulative preference shares	180,755	–	–	–	180,755
Deferred tax liabilities	336	(336)	–	–	–
	226,279	(336)	–	–	225,943
NET LIABILITIES	(97,815)	(41,538)	–	42,637	(96,716)
CAPITAL AND RESERVES					
Share capital	50,326	–	–	–	50,326
Reserves	(269,119)	–	–	492	(268,627)
Equity attributable to owners of the Company	(218,793)	–	–	492	(218,301)
Non-controlling interests	120,978	–	–	607	121,585
	(97,815)	–	–	1,099	(96,716)

II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group	Pro forma adjustments		The Remaining Group
	HK$'000	*HK$'000* *(Note 4)*	*HK$'000* *(Note 5)*	*HK$'000*
Revenue	78,442	(43,891)	–	34,551
Cost of sales	(41,435)	27,849	–	(13,586)
Gross profit	37,007	(16,042)	–	20,965
Other income	4,443	(3,343)	–	1,100
Distribution expenses	(11,074)	7,128	–	(3,946)
Administrative expenses	(46,774)	14,437	–	(32,337)
Other operating expenses	(686)	517	–	(169)
Finance costs	(102,603)	146	–	(102,457)
Gain on recalculation of liability component of redeemable convertible cumulative preference shares	95,227	–	–	95,227
Impairment loss recognised in respect of trade and other receivables	(3,017)	–	–	(3,017)
Gain on disposal of subsidiaries	–	–	2,270	2,270
Fair value loss on derivative component of convertible bonds	(13,211)	–	–	(13,211)
Fair value loss on derivative component of redeemable convertible cumulative preference shares	(115,338)	–	–	(115,338)
Impairment loss on goodwill	(25,012)	1,205	–	(23,807)
Loss before tax	(181,038)	4,048	2,270	(174,720)
Income tax expenses	(3,374)	785	–	(2,589)
Loss for the year from continuing operations	(184,412)	4,833	2,270	(177,309)
Discontinued operations				
Profit for the year from discontinued operations	2,277	–	–	2,277
Loss for the year	(182,135)	4,833	2,270	(175,032)
Other comprehensive income				
Exchange differences arising on translation	12,260	(1,781)	–	10,479
Release of exchange differences upon disposal of subsidiaries	(4,482)	–	–	(4,482)
Other comprehensive income for the year	7,778	(1,781)	–	5,997
Total comprehensive expenses for the year	(174,357)	3,052	2,270	(169,035)

	The Group	Pro forma adjustments		The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 4)	*(Note 5)*	
Loss for the year attributable to:				
Owners of the Company				
– Loss for the year from continuing operations	(210,241)	2,163	1,016	(207,062)
– Profit for the year from discontinued operations	2,025	–	–	2,025
Loss for the year attributable to owners of the Company	(208,216)	2,163	1,016	(205,037)
Non-controlling interests				
– Profit for the year from continuing operations	25,829	2,670	1,254	29,753
– Profit for the year from discontinued operations	252	–	–	252
Profit for the year attributable to non-controlling interests	26,081	2,670	1,254	30,005
	(182,135)	4,833	2,270	(175,032)
Total comprehensive expenses attributable to:				
– Owners of the Company	(204,259)	1,366	1,016	(201,877)
– Non-controlling interests	29,902	1,686	1,254	32,842
	(174,357)	3,052	2,270	(169,035)

III. UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE REMAINING GROUP

	The Group	Pro forma adjustments		The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 6)	*(Note 7)*	
NET CASH USED IN OPERATING ACTIVITIES	(25,828)	22,691		(3,137)
INVESTING ACTIVITIES				
Purchase property, plant and equipment	(4,712)	4,077		(635)
Net cash (outflow) inflow on disposal of subsidiaries	(2,175)		40,938	38,763
Proceeds from disposal of property, plant and equipment	1,230	(275)		955
Interest received	743	(219)		524
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(4,914)			39,607
FINANCING ACTIVITIES				
Proceeds from issue of convertible bonds	65,000			65,000
Issue of ordinary shares	2,873			2,873
Repayment of secured bank loans	(34,200)			(34,200)
Repurchases of convertible bond	(623)			(623)
Interest paid	(313)	146		(167)
Decrease in amounts due to directors	(4,644)			(4,644)
NET CASH FROM FINANCING ACTIVITIES	28,093			28,239
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,649)			64,709
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	685	256		941
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	174,135	(47,729)		126,406
CASH AND CASH EQUIVALENTS AT THE ENDED OF THE YEAR	172,171			192,056

	The Group	Pro forma adjustments		The Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 6)	*(Note 7)*	
Analysis of the balances of cash and cash equivalents				
Restricted bank balance	100,173	(21,053)	40,938	120,058
Bank balances and cash	71,998			71,998
	172,171			192,056

Notes:

1. The adjustments represent the exclusion of the assets and liabilities of Shanghai Harvest Group as at 31 March 2011, assuming that the Disposal had taken place on 31 March 2011.

2. The adjustments reflect the reinstatement of the inter-company balances between the Remaining Group and Shanghai Harvest Group as at 31 March 2011, which should not be eliminated after the completion of the Disposal.

3. The adjustments reflect the estimated gain arising from the Disposal based on the total consideration of approximately RMB36 million (equivalent to approximately HK$43 million) as if the Disposal had taken place on 31 March 2011.

Calculation of gain on Disposal:	*HK$'000*
Consideration	42,637
Net assets of Shanghai Harvest Group attributable to the Group as at 31 March 2011	(41,538)
Estimated gain on Disposal before transaction costs and release of attributable reserves	1,099
Reclassification adjustment on translation reserve of Shanghai Harvest Group upon Disposal	7,703
Estimated gain on Disposal before transaction costs	8,802

4. The adjustments represent the exclusion of the results of Shanghai Harvest Group for the year ended 31 March 2011, assuming the Disposal had taken place on 1 April 2010.

5. The adjustments reflect the resulting estimated gain on Disposal before transaction costs based on the total consideration of approximately RMB36 million (equivalent to approximately HK$41 million) as if the Disposal had taken place on 1 April 2010.

Calculation of gain on Disposal:	*HK$'000*
Consideration	40,938
Net assets of Shanghai Harvest Group attributable to the Group as at 31 March 2010	(44,590)
Reclassification adjustment on translation reserve of Shanghai Harvest Group upon Disposal	5,922
Estimated gain on Disposal before transaction costs	2,270

6. The adjustments represent the exclusion of the cash flows of Shanghai Harvest Group, assuming the Disposal had taken place on 1 April 2010.

7. The adjustment represents the net cash inflow before transaction costs arising from the Disposal as if the Disposal had taken place on 1 April 2010.

8. Translation of RMB into HK$ in Appendix II to this circular is based on the exchange rate of RMB1.00 = HK$1.1400 as at 1 April 2010 and RMB1.00 = HK$1.1603 as at 31 March 2011 with reference to the rates published by The People's Bank of China. Such exchange rate is for illustrative purpose only and does not constitute a representation that any amount in RMB has been, could have been or may be converted at such or any other rate at all.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of the report from Zenith CPA Limited in respect of the unaudited pro forma financial information of the Remaining Group as set out in this Appendix for the purpose of incorporation into this circular.

诚丰 Zenith

ZENITH CPA LIMITED
诚丰会计师事务所有限公司
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TO THE DIRECTORS OF CHINA HEALTHCARE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of China Healthcare Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the disposal of Shanghai Harvest Network Technology Co., Ltd. and its subsidiaries might have affected the financial information presented, for inclusion in Appendix II of the circular issued by the Company dated 25 November 2011 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 35 to 41 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 March 2011 or any future date or the results and cash flows of the Group for the year ended 31 March 2011 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887

Hong Kong

25 November 2011

1. FINANCIAL INFORMATION ON THE GROUP

Details of the financial information on the Group for the financial years ended 31 March 2009, 2010 and 2011 are disclosed in the Company's annual reports for the financial years ended 31 March 2009, 2010 and 2011 respectively. All of these financial statements have been published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.chinahealthcareltd.com.

2. INDEBTEDNESS STATEMENT

At the close of business on 30 September 2011, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had convertible bonds of approximately HK$45.9 million and redeemable convertible cumulative preference shares of approximately HK$227.3 million.

In addition, as at 30 September 2011, Shanghai Harvest Group had outstanding secured bank loans of approximately RMB50 million which were secured by bank deposits and a corporate guarantee of the subsidiaries of the Company amounting to approximately RMB30 million and RMB40 million respectively.

Save as disclosed in the section headed "Material Litigation" in Appendix IV to this Circular, the Group did not have any material contingent liabilities as at the close of business on 30 September 2011.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities at the close of business on 30 September 2011.

3. WORKING CAPITAL

The Board, after due and careful enquiry, is of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's financial resources, including internally generated funds, continuous financial support from substantial shareholders and other third parties, available banking facilities and the estimated net proceeds of the Disposal, the Group has sufficient working capital for its requirements for at least 12 months from the date of publication of this circular. The Directors are aware of the liquidity position of the Group will depend largely on the completion of the Group's acquisition of viable assets and/or projects to enable a restructuring of its defaulted financial obligations as set out in the annual results announcement of the Company for the year ended 31 March 2011. The Directors are looking for various business opportunities to broaden its business scope and sources of income through investment or business ventures to improve the profitability of the Group.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, there have been no material adverse changes in the financial or trading position of the Group since 31 March 2011, being the date to which the latest audited consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Upon completion of the Disposal, the Remaining Group will focus on its business of the provision of B-to-C consumer services in Shandong Province, including the provision of management and other services to the POS-enabled retail outlets and distribution of mobile pre-charge and sales of mobile phone usage fees in those retail outlets.

Currently, the Remaining Group is appointed as a distributor of a telecommunication operator in Shandong for distributing its mobile top-up. The Remaining Group distributes the mobile top-up through its sub-distributors and a mobile top-up service IT Platform, namely BOSS System. In return, the Remaining Group receives from the telecommunication operator a commission at a fixed rate on the total value of mobile top-up distributed by the Remaining Group and its sub-distributors.

As at the Latest Practicable Date, the Remaining Group has developed a distribution network of over 27,000 POS-enabled retail outlets in Jinan and Qingdao and has reached the first in market share as a third party distributor in mobile top-up distribution market in those cities. While the number of sub-distributors of the Remaining Group continues to increase in Jinan and Qingdao, the Remaining Group has planned to further expand its distribution network to cover other cities in Shandong such as Weifang (濰坊) and Jining (濟寧). The Directors expect that the total number of sub-distributors of the Remaining Group in Shandong shall increase to approximately 43,650 at end of 2012 and 60,000 by 2013.

According to the information published by Shandong Economic and Information Technology Committee on 27 September 2011, the total revenue of telecommunication industry in China for the eight months ended 31 August 2011 increased by approximately 10.1% as compared to the previous corresponding period and amounted to approximately RMB647.7 billion, of which 69.38% was generated from mobile business while the remaining 30.62% was generated from fixed line business. For the eight months ended 31 August 2011, the total number of mobile phone subscribers increased by approximately 9.4% to approximately 940.1 million. In terms of number of mobile phone subscribers, Shandong ranked the second among other provinces in the PRC. As at 31 August 2011, the number of mobile phone subscribers in Shandong was approximately 67.5 million, representing an increase of approximately 17.6% as compared to that of June 2010.

For the eight months ended 31 August 2011, the total value of mobile top-up distributed by the sub-distributors of the Remaining Group amounted to approximately RMB2.6 billion. In view of the continuous increase in number of mobile phone subscribers in Shandong and the expansion plan of the Remaining Group's distribution network in the area, the management of the Remaining Group expects that the total value of mobile top-up distributed by the Remaining Group will further increase in the ensuing year. Furthermore, the Remaining Group will explore opportunities for distributing other value-added products and services through its extensive distribution network in Shandong. Given the abovementioned, the management of the Remaining Group is optimistic about the long-term prospect of the Shandong Business.

Despite a positive outlook, the Shandong Business is subject to certain risks. The Shandong Business relies on the telecommunication operator for the supply of the mobile top-up and thus sales of the mobile top-up are influenced by the telecommunication operator's ability to deliver quality mobile services, anticipate changes in consumer needs, preferences and requirements in mobile services and maintain an effective top-up IT platform. The overall market demand for mobile top-up services may also be affected by a variety of other factors, including economic conditions, personal disposal income, penetration rate of mobile services as well as advancement in telecommunication technologies. Furthermore, the Remaining Group's right of distribution of mobile top-up is governed by the distribution agreement between the Remaining Group and the telecommunication operator, which shall expire in September 2013. If the telecommunication operator is unable to maintain its market share in the telecommunication market or decides to terminate its distribution agreement with the Remaining Group after the expiration of the existing agreement or the overall market demand for mobile top-up services decreases, the operations and growth prospects of the Shandong Business could be materially and adversely affected. To mitigate the risk of reliance on the telecommunication operator, the Remaining Group is proactively seeking opportunities to diversify its revenue source by distributing other value-added products and services through its well-established distribution network in Shandong.

As the Shandong Business does not involve third party payment service, the Administration Rules on Payment Services of Non-financial Institutions issued by People's Bank of China does not apply to the Shandong Business.

As disclosed in the annual report of the Company for the year ended 31 March 2011, the Group is currently in discussion with certain prospective external resources providers to bring in viable assets and/or projects to restructure the Group's overdue financial obligation and to solve the Group's solvency problem. As at the Latest Practicable Date, no concrete details have been arrived yet regarding the ongoing discussions with prospective external resources providers. Save for the abovementioned, the Company has no current plans or intentions for acquisition or disposal of any asset or business to effect any significant change to its existing business and to conduct any fund raising activity.

6. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

For the year ended 31 March 2009

Results

For the year ended 31 March 2009, the Remaining Group recorded a turnover and net profit attributable to the equity holders of the Company of approximately HK$34.2 million and HK$16.3 million respectively.

Business Review

For the year ended 31 March 2009, the Remaining Group was mainly engaged in procurement of healthcare services and trading of medical devices and consumables.

The segment of procurement of healthcare services continued to focus its development strategies on scale, growth, standardization and cash flow and its business model was built on nationwide hospital access, headcount-based prepaid revenue, IT enabled services and products and channel-based distribution. The travel-related medical assistance is a prime focus of the healthcare services business, which has emerged as a leading provider of emergency medical assistance in the PRC.

Capital Structure, Liquidity and Financial Resources

The Remaining Group's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Remaining Group financed its business primarily with internally generated capital and external borrowings.

As at 31 March 2009, the total borrowings of the Remaining Group amounted to approximately HK$184.5 million, which comprised convertible notes of approximately HK$58.5 million and redeemable convertible cumulative preference shares of approximately HK$126.0 million. The convertible notes included (i) a convertible note with an interest rate of 3% per annum and maturity date of 18 May 2009; and (ii) a convertible note with an interest rate of 2% per annum and maturity date of 1 June 2011. The redeemable convertible cumulative preference shares had a dividend rate of 2% per annum, subject to adjustment to 5% on certain special events and would be matured on the fifth anniversary of 28 July 2006 or such later date, not being later than the seventh anniversary of 28 July 2006, as may be agreed in writing between the Company and the holders of the redeemable convertible cumulative preference shares. The borrowings of the Remaining Group were denominated in HK$ and US$.

As at 31 March 2009, the cash and cash equivalents of the Remaining Group amounted to approximately HK$147.7 million, of which approximately HK$100.0 million was recorded under the First Vendor and such fund was restricted to be used as general working capital and for other purposes of the First Vendor only. The gearing ratio of the Remaining Group, which is calculated as the ratio of total liabilities to total assets, was approximately 1.1 as at 31 March 2009.

During the year under review, the Company was in default on redeeming two convertible bonds of outstanding principals of about US$5.5 million and HK$20 million respectively as at 31 March 2009. The Remaining Group tried to raise additional funding to resolve the insolvency problem of the Company but no concrete solutions had been sorted out as at 31 March 2009.

Since the Remaining Group's borrowings, income and expenditures were primarily denominated in HK$, US$ and RMB, the exposure to foreign exchange rate fluctuations was considered to be insignificant. The Group did not use any financial instrument for hedging purposes.

As at 31 March 2009, the Remaining Group did not have any contingent liability or charge on any of its assets.

Material Investments, Acquisitions or Disposals

In May 2008, the Remaining Group completed its acquisition on the remaining 30% equity interest in Shanghai Harvest at a total consideration of HK$41.5 million, of which HK$21.5 million was satisfied by cash payment and HK$20.0 million was satisfied by the issue of convertible notes. Moreover, the Remaining Group acquired an additional 10% equity interest in Shanghai Kejin at a cash consideration of RMB4.0 million on 20 October 2008.

In June 2008, the Remaining Group disposed of its entire equity interest in Shanghai Epay Information Technology Company Limited to an independent third party at a cash consideration of RMB0.3 million.

On 2 September 2008, the First Vendor entered into a subscription agreement with Dr. Li Zhong Yuan, being a Director, and two independent third parties. Pursuant to the subscription agreement, the First Vendor agreed to issue 23,000,000 convertible preference shares and 4,600,000 warrants to the abovementioned subscribers at a total consideration of US$23.23 million. Furthermore, the Company agreed to sell, and the First Vendor agreed to redeem 3,000,000 shares at a cash consideration of US$1 per share. Such transactions resulted in a material dilution to the Remaining Group's interest in the First Vendor and constituted a deemed disposal under the Listing Rules.

Save as disclosed above, the Remaining Group had no significant investments held and there were no material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2009.

As at 31 March 2009, the Remaining Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

For the year ended 31 March 2009, approximately 21.6% of the Remaining Group's turnover was contributed by the segment of procurement of healthcare services while the rest of the turnover were contributed by trading of medical devices and consumables.

As compared to the previous year, the segment revenue of procurement of healthcare services for the year ended 31 March 2009 increased by approximately 76.5% while the segment revenue of trading of medical devices and consumables decreased by approximately 16.3%.

For the year ended 31 March 2009, the Remaining Group attained significant improvement in its segment results for both business segments. The segment loss for procurement of healthcare services and trading of medical devices and consumables decreased by approximately 79.5% and 70.2% respectively.

Human Resources

The total number of employees of the Remaining Group was 68 as at 31 March 2009 and the total staff costs, including directors' emoluments, for the year ended 31 March 2009 amounted to approximately HK$8.7 million.

The Remaining Group reviewed from time to time the remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Remuneration packages mainly comprised salaries, contributions to the Mandatory Provident Fund Schemes and the PRC government pension schemes, discretionary bonus, which was linked to the performance of the Remaining Group and the individual employees, and share options.

For the year ended 31 March 2010

Results

For the year ended 31 March 2010, the Remaining Group recorded a turnover of approximately HK$13.1 million, representing a decrease of approximately 61.6% as compared to the previous year. The Remaining Group's net loss attributable to the equity holders of the Company for the year ended 31 March 2010 was approximately HK$87.4 million while a net profit attributable to the equity holders of the Company of approximately HK$16.3 million was recorded for the year ended 31 March 2009.

Business Review

In addition to the existing businesses of procurement of healthcare services and trading of medical devices and consumables, the Group added a new line of business, B-to-C e-payment services and distributions, during the year under review. The Group's newly established subsidiary in Shandong, where is the second largest provincial mobile market in the PRC, has secured the relevant regulatory approvals and vendor rectifications for mobile top-up. It also acquired a large number of quality distribution outlets in Shandong.

Capital Structure, Liquidity and Financial Resources

The Remaining Group's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Remaining Group financed its business primarily with internally generated capital and external borrowings.

As at 31 March 2010, the total borrowings of the Remaining Group amounted to approximately HK$275.5 million, which comprised secured bank loans of approximately HK$34.2 million, convertible notes of approximately HK$58.2 million and redeemable convertible cumulative preference shares of approximately HK$183.1 million. The secured bank loans were secured by term deposit and bear an interest at an annual rate of 4.617%. The convertible notes included (i) a convertible note with an interest rate of 3% per annum and maturity date of 18 May 2009; and (ii) a convertible note with an interest rate of 2% per annum and maturity date of 1 June 2011. The redeemable convertible cumulative preference shares had a dividend rate of 2% per annum, subject to adjustment to 5% on certain special events and would be matured on the fifth anniversary of 28 July 2006 or such later date, not being later than the seventh anniversary of 28 July 2006, as may be agreed in writing between the Company and the holders of the redeemable convertible cumulative preference shares. The borrowings of the Remaining Group were denominated in HK$ and US$.

As at 31 March 2010, the cash and cash equivalents of the Remaining Group amounted to approximately HK$126.4 million, of which approximately HK$106.2 million was recorded under the First Vendor and such fund was restricted to be used as general working capital and for other purposes of the First Vendor only. The gearing ratio of the Remaining Group, which is calculated as the ratio of total liabilities to total assets, was approximately 1.4 as at 31 March 2010.

Since the Remaining Group's borrowings, income and expenditures were primarily denominated in HK$, US$ and RMB, the exposure to foreign exchange rate fluctuations was considered to be insignificant. The Group did not use any financial instrument for hedging purposes.

As at 31 March 2010, the Remaining Group did not have any contingent liability or charge on any of its assets.

Material Investments, Acquisitions or Disposals

On 16 July 2009, Mr. Philip J Riese, an independent third party, subscribed 500 convertible preference shares of the First Vendor at a consideration of US$50,000. Such transaction resulted in a dilution of the Remaining Group's equity interest in the First Vendor and constituted a deemed disposal for the Remaining Group under the Listing Rules. In addition, the Remaining Group acquired the entire equity interest in Nanjing Wangchi Technology Company Limited from an independent third party for a cash consideration of RMB3.0 million on 20 December 2009.

Save as disclosed above, the Remaining Group had no significant investments held and there were no material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2010.

As at 31 March 2010, the Remaining Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

For the year ended 31 March 2010, the turnover of the Remaining Group was solely contributed by the segment of trading of medical devices and consumables. Such segment recorded a total turnover of approximately HK$13.1 million, representing an increase of approximately 166.4% as compared to the previous year. Despite an increase in turnover, the segment loss of trading of medical devices and consumables further increased by 71.8% to approximately HK$2.3 million for the year ended 31 March 2010 as a result of decrease in gross profit margin.

The newly established business segment of B-to-C consumer services in Shandong has not generated any turnover yet and the segment loss for this segment amounted to approximately HK$0.8 for the year ended 31 March 2010.

Human Resources

The total number of employees of the Remaining Group was 84 as at 31 March 2010 and the total staff costs, including directors' emoluments, for the year ended 31 March 2010 amounted to approximately HK$8.2 million.

The Remaining Group reviewed from time to time the remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Remuneration packages mainly comprised salaries, contributions to the Mandatory Provident Fund Schemes and the PRC government pension schemes, discretionary bonus, which was linked to the performance of the Remaining Group and the individual employees, and share options.

For the year ended 31 March 2011

Results

For the year ended 31 March 2011, the Remaining Group recorded a turnover and a gross profit of approximately HK$34.6 million and HK$21.0 million respectively. Resulting from the recognition of distribution and administrative expenses amounted to approximately HK$36.3 million, finance costs amounted to approximately HK$102.5 million, net fair value loss on redeemable convertible cumulative preference shares amounted to approximately HK$20.1 million, fair value loss on derivative component of convertible bonds amounted to approximately HK$13.2 million and impairment loss of goodwill amounted to approximately HK$23.8 million, the net loss attributable to the owners of the Company for the year ended 31 March 2011 amounted to approximately HK$205.0 million.

Business Review

After the disposal of the healthcare services business in July 2010, the Remaining Group focused on the businesses of sales of medical devices and consumables and the B-to-C consumer services in Shandong, the second largest provincial mobile top-up market in the PRC. The Remaining Group has already reached the first in market share in mobile top-up distribution and developed a growing distribution network of almost 26,000 POS-enabled retail outlets in Shandong as at 31 March 2011.

Capital Structure, Liquidity and Financial Resources

The Remaining Group's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Remaining Group financed its business primarily with internally generated capital and external borrowings.

As at 31 March 2011, the total borrowings of the Remaining Group amounted to approximately HK$347.5 million, which comprised convertible note of approximately HK$45.2 million and redeemable convertible cumulative preference shares of approximately HK$302.3 million. The convertible note carries an interest at 3% per annum, payable semi-annually in arrears, and matures on 18 May 2009 (as the Company was unable to redeem such convertible note, the Company reached an understanding with the major holder of the convertible note to conditionally postpone the payment for three years to 17 May 2013, subject to certain conditions). The redeemable convertible cumulative preference shares carry dividend at 2% per annum, subject to adjustment to 5% on certain special events, payable semi-annually in arrears, and mature on the fifth anniversary of 28 July 2006 or such later date, not being later than the seventh anniversary of 28 July 2006, as may be agreed in writing between the Company and the holders of the redeemable convertible cumulative preference shares. The borrowings of the Remaining Group were denominated in HK$ and US$.

The Company has been in default on repaying a convertible bond of outstanding principal of about US$5.39 million as of 31 March 2011, and due to cross default, the redeemable convertible preference shares of outstanding principal of US$15 million has also become redeemable on demand. Having experimented with various ways and means to find a solution to the Company's insolvency problem, the Directors considered that a solution would necessarily require injection of substantial external resources to enable a restructuring of its defaulted financial obligations. On 19 August 2010, Wingames Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties to acquire the equity interests in Shanghai Fu Shou Yuan Industrial Development Co., Ltd. and its affiliated entities for a total consideration of HK$3,360 million. Details of which were set out in the Company's announcement and circular dated 13 October 2010 and 23 February 2011 respectively. The acquisition, however, has become the subject of legal proceedings with Wingames Investments Limited and the Company as the plaintiffs and the counterparties as the defendants since 31 May 2011.

The Directors will continue to make every best effort in working with relevant stakeholders to bring viable asset(s) and/or project(s) into the Remaining Group to solve its insolvency problem, and manage to work out standstills with the holders of the convertible note and the preference shares to facilitate the asset injection.

The cash and cash equivalents and restricted bank balances of the Remaining Group amounted to approximately HK$72.0 million and HK$79.1 million respectively as at 31 March 2011. The gearing ratio of the Remaining Group, as expressed as the ratio of total liabilities to total assets, was approximately 1.5 as at 31 March 2011.

Since the borrowings, income and expenditures of the Remaining Group were primarily denominated in HK$, US$ and RMB, the exposure to foreign exchange rate fluctuations was considered to be minimal. The Remaining Group did not use any financial instrument for hedging purposes.

As at 31 March 2011, the Remaining Group did not have any contingent liability or charge on any of its assets.

Material Investments, Acquisitions or Disposals

On 19 August 2010, Wingames Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties to acquire the equity interests in Shanghai Fu Shou Yuan Industrial Development Co., Ltd. and its affiliated entities for a total consideration of HK$3,360 million. Details of which were set out in the Company's announcement and circular dated 13 October 2010 and 23 February 2011 respectively. The acquisition, however, has become the subject of legal proceedings with Wingames Investments Limited and the Company as the plaintiffs and the counterparties as the defendants since 31 May 2011.

Save as disclosed above, the Remaining Group had no significant investments held and there were no material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 March 2011.

As at 31 March 2011, the Remaining Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

For the year ended 31 March 2011, approximately 37.3% of the Remaining Group's turnover was generated from the distribution of mobile pre-charge in Shandong, the PRC while the remaining balance was contributed by sales of medical devices and consumables. The e-commerce distribution of mobile pre-charge and sales of medical devices with consumables recorded a segment profit of approximately HK$12.9 million and HK$4.1 million respectively.

Human Resources

The Remaining Group had 45 employees as at 31 March 2011 and the total staff costs, including directors' and supervisors' remuneration, for the year ended 31 March 2011 amounted to approximately HK$14.6 million.

The Remaining Group continued to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Remuneration packages comprised salaries, contributions to the Mandatory Provident Fund Schemes and the PRC government pension schemes based on applicable rates of monthly salary in accordance with government regulations in the PRC, discretionary bonus, which was linked to the performance of the Remaining Group and the individual, and share option scheme.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS

(a) Interest in the shares, underlying shares and debentures of the Company and its associated companies

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/chief executive	Company/ associated corporation	Capacity	Interests in shares	Interests in underlying shares pursuant to equity derivatives *(Note 3)*	Total interests in shares and underlying shares	Approximate percentage of shares and underlying shares held to existing total issued shares
Dr. Li Zhong Yuan	The Company	Corporation	11,147,000 *(Note 1)*	–	11,147,000	2.21%
		Personal	13,296,000	6,244,000	19,540,000	3.88%
Mr. Zhou Bao Yi	The Company	Personal	1,002,000	–	1,002,000	0.20%
Mr. Martin Treffer	The Company	Corporation	1,295,000 *(Note 2)*	–	1,295,000	0.26%
		Personal	250,000	1,902,000	2,152,000	0.43%
Mr. Mu Xiangming	The Company	Personal	261,000	210,000	471,000	0.09%
Dr. Yan Shi Yun	The Company	Personal	–	261,000	261,000	0.05%
Mr. Jiang Bo	The Company	Personal	261,000	–	261,000	0.05%

Notes:

(1) These Shares were held by Pacific Annex Capital Limited, which was wholly-owned by Dr. Li Zhong Yuan as at the Latest Practicable Date.

(2) These Shares were held by 2 Trade Group Limited, which was beneficially owned as to 35% by Mr. Martin Treffer as at the Latest Practicable Date.

(3) The underlying shares of equity derivatives represent the shares issuable upon the exercise of share options granted to the Directors by the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in contracts

As at the Latest Practicable Date, there were no contracts or arrangements subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

(d) Interests in competing business

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(e) Directors' service contracts

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and any member of the Company which are not expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of substantial Shareholders	Capacity	Interests in Shares	Interests in underlying Shares pursuant to equity derivatives	Total interests in Shares and underlying Shares	Approximate percentage of Shares and underlying Shares held to existing total issued Shares
Dragonrisecapital Advisors Inc. *(Note 1)*	Beneficial owner	62,480,474	–	62,480,474	12.42%
Yeung Ning *(Note 1)*	Interests of controlled corporation	62,480,474	–	62,480,474	12.42%
Capital Foresight Limited *(Note 2)*	Beneficial owner	–	364,687,500	364,687,500	72.47%
Chen Li Bo *(Note 2)*	Interests of controlled corporation	–	364,687,500	364,687,500	72.47%
Yu Feng *(Note 2)*	Interests of controlled corporation	–	364,687,500	364,687,500	72.47%
ZhongXing Limited *(Note 3)*	Beneficial owner	66,959,474	–	66,959,474	13.31%
Ho Kin *(Note 3)*	Interests of controlled corporation	71,963,474	–	71,963,474	14.30%

Notes:

(1) As at the Latest Practicable Date, Dragonrisecapital Advisors Inc. was beneficially wholly-owned by Mr. Yeung Ning. Therefore, Mr. Yeung Ning was deemed to be interested in the Shares held by Dragonrisecapital Advisors Inc..

(2) The underlying Shares represent preference shares which entitle the holder thereof to convert for 364,687,500 fully paid Shares at an adjusted conversion price of HK$0.32 per Share (subject to adjustments). As at the Latest Practicable Date, Capital Foresight Limited was beneficially owned as to 36% by Mr. Chen Li Bo and 36% by Mr. Yu Feng. Therefore, each of Mr. Chen Li Bo and Mr. Yu Feng was deemed to be interested in the underlying Shares held by Capital Foresight Limited.

(3) As at the Latest Practicable Date, ZhongXing Limited was wholly-owned by Mr. Ho Kin. Therefore, Mr. Ho Kin was deemed to be interested in the Shares held by ZhongXing Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. MATERIAL LITIGATION

On 19 August 2010, Wingames Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement (the "Acquisition Agreement") with, among others, China Zhongfu Industry Co., Ltd., Shanghai Zhongfu International Trading Co., Ltd., Anhui Anhe Investment Consulting Co., Ltd., Mr. Wang Ji Sheng and Mr. Ge Qian Song (collectively, the "Guarantors") and Mascot Land Limited (the "Procurer") to acquire (i) the entire equity interest in Shanghai Fu Shou Yuan Industry Development Co., Ltd.; (ii) the 10% equity interest in Shandong Fu Shou Yuan Development Co., Ltd; (iii) the entire equity in Shanghai Fu Shou Yuan Consulting & Management Co., Ltd.; and (iv) the 10% equity interest in Chongqing Anle Services Co., Ltd. (collectively, the "Shanghai FSY Group") for a total consideration of HK$3,360 million (the "Shanghai FSY Acquisition").

On 24 May 2011, the Procurer gave a formal notice to the Company to terminate the Shanghai FSY Acquisition on the ground that the conditions precedent in respect of certain unspecified PRC approvals in relation to the reorganization and the formation of the companies under the reorganization had not been fulfilled by the extended long stop date of 30 April 2011. The Company strongly disagreed with the position of the Procurer and maintained the position that all conditions precedent had been fulfilled or waived to the extent waivable by 28 April 2011.

On 3 June 2011, (i) the Procurer and the Guarantors (except for Anhui Anhe Investment Consulting Co., Ltd.) gave an undertaking to the Court not to dispose of, charge, encumber or otherwise deal with the issued share capital or beneficial or equity interest in the holding companies of the joint venture company, the joint venture company and its subsidiaries; (ii) China Zhongfu Industry Co., Ltd. gave an undertaking to the Court not to dispose of, charge, encumber or otherwise deal with the HK$44 million already advanced by the Company to the Procurer and/or China Zhongfu Industry Co., Ltd.; and (iii) the Procurer and the Guarantors (except for Anhui Anhe Investment Consulting Co., Ltd.) gave an undertaking to the Court not to procure, cause or assist in any of the acts prohibited in (i) and (ii) mentioned above. Furthermore, Anhui Anhe Investment Consulting Co., Ltd. was directed by the court order to be restrained from doing acts of (i) mentioned above, and from procuring, causing or assisting any of the acts prohibited in (i) mentioned above.

On 17 June 2011, the Court of First Instance of Hong Kong ordered that the undertakings given by the Procurer and the Guarantors (except for Anhui Anhe Investment Consulting Co., Ltd.) on 3 June 2011 be converted into an interim injunction order (the "Order") until and up to the end of the substantive hearing scheduled on 15 July 2011 or the further order of the Court. Furthermore, the effect of the interim injunctive order made on 3 June 2011 regarding Anhui Anhe Investment Consulting Co., Ltd. was extended to the end of the substantive hearing scheduled on 15 July 2011 or the further order of the Court.

At the hearing before the Court of First Instance on 15 July 2011, in lieu of the interim injunction order made on 3 June 2011, as extended by the order made on 17 June 2011, the Guarantors gave undertakings to the Court that they would give 96 hours' notice to the Company's solicitors and the Procurer's solicitors of any contemplated transaction which if undertaken by them would have the effect of placing them in breach of Clause 8.1 of the Acquisition Agreement. The Procurer was not required to and did not give such an undertaking. The effect of the undertakings is that if notice is given of a contemplated transaction where in the opinion of the Company would place the Guarantors in breach of the Acquisition Agreement, the Company would be at liberty to restore the matter before the Court and, if appropriate, seek injunctive relief.

On 26 September 2011, Wingames Investments Limited and the Company (collectively, the "Plaintiffs") and the Procurer and the Guarantors (collectively, the "Defendants") came before the Court of First Instance and the Court made the orders that (i) the Plaintiffs were given leave to file an Amended Statement of Claim seeking damages arising from the Defendants' failure to complete the Shanghai FSY Acquisition and the resulting termination or rescission of the Acquisition Agreement and ordered to pay the costs of the Defendants occasioned by the amendments; and (ii) the Plaintiffs agreed to provide security for costs and orders were made requiring the Plaintiffs to provide security in amount of HK$5.6 million.

On 3 October 2011, the Plaintiffs and the Defendants came before the Court of First Instance and the Court directed that (i) the Defendants return HK$44,000,000 (the "HK$ Deposit") previously advanced by the Plaintiffs to the Defendants; and (ii) the Plaintiffs return RMB37,928,000 (the "RMB Deposit") previously advanced by the Defendants to the Plaintiffs. It is the Company's position that, upon the Defendants' request, the HK$ deposit was advanced by the Plaintiffs as the cash consideration for the Shanghai FSY Acquisition. Reciprocally, the RMB Deposit (being at the relevant time roughly equivalent in value to the HK$ Deposit) was intended to secure the performance of the Acquisition Agreement by the Defendants. Following the Plaintiff's Amended Statement of Claim seeking damages arising from the Defendant's failure to complete the Shanghai FSY Acquisition and the resulting termination or rescission of the Acquisition Agreement, the Court directed that these sums be returned. The RMB Deposit is held in an escrow account and its return will have no effect on the Company's current financial position. In addition, the Court has released the parties from all undertakings previously given to the Court. A third plaintiff, CHC Investment Holdings Limited, a subsidiary of the Company, was added to the proceedings. The Defendants have filed a Defense and Counterclaim against the Plaintiffs to claim for unspecified damages in relation to the abovementioned undertakings and order. The Company is considering its position and at this time it has no reason to doubt that it has a strong defense in relation to the Counterclaim.

Save for the abovementioned, as at the Latest Practicable Date, there was no litigation or claim of material importance, known to the Directors, pending or threatened against any member of the Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within two years preceding the date of this circular and are or may be material:

(a) a sale and purchase agreement dated 23 November 2009 entered into between, among others, Shanghai De Yi Network Technology Company Limited (上海德頤網路技術有限公司), a subsidiary of the Company, and Mr. Xu Kun Lin (徐坤林先生) and Mr. Liu Lian Xiang (劉連湘先生), being independent third parties, pursuant to which Shanghai De Yi Network Technology Company Limited agreed to sell the entire equity interest in Nanjing Wangchi Technology Company Limited to Mr. Xu Kun Lin and Mr. Liu Lian Xiang at a cash consideration of RMB3.0 million (the "Nanjing Wangchi Acquisition");

(b) an assignment agreement dated 17 December 2009 entered into between China Healthcare Services Investment Limited, a company beneficially owned as to 89% by the Company, and Newrank Limited, pursuant to which China Healthcare Services Investment Limited agreed to assign a loan of RMB17.5 million owed by its 70%-owned subsidiary, Beijing Universal Medical Assistance Co. Ltd., to Newrank Limited for a total cash consideration of RMB17.5 million;

(c) a supplemental agreement dated 31 December 2009 entered into between, among others, Shanghai De Yi Network Technology Company Limited, Mr. Xu Kun Lin and Mr. Liu Lian Xiang regarding the Nanjing Wangchi Acquisition, pursuant to which the parties to the agreement mutually agreed to extend the payment date of the remaining balance of the consideration of RMB2.1 million to a date not later than 30 June 2010;

(d) a sale and purchase agreement dated 24 March 2010 entered into between Novogain Holdings Limited, a wholly-owned subsidiary of the Company, GeneHarbor Holdings Limited, the Company, Dr. Wang Jun, South Sources Development Limited and Simplicio Universal Limited, pursuant to which GeneHarbor Holdings Limited agreed to sell, and Novogain Holdings Limited agreed to acquire, the entire equity interest in GeneHarbor Technologies Inc. at a consideration of US$73.0 million (the "GeneHarbor Acquisition");

(e) a supplemental agreement dated 29 March 2010 entered into between GeneHarbor Holdings Limited, the Company and Dr. Wang Jun to amend certain terms of the sale and purchase agreement dated 24 March 2010 regarding the GeneHarbor Acquisition. The GeneHarbor Acquisition was terminated on 14 July 2010;

(f) subscription agreements dated 5 April 2010 entered into between the Company and nine independent subscribers, pursuant to which the Company agreed to issue, and the subscribers agreed to subscribe for, the zero coupon subordinated convertible notes due 2011 in the aggregate principal amount of HK$15.0 million;

(g) subscription agreements dated 5 April 2010 entered into between the Company and ZhongXing Limited, Crown Impact Limited, Mr. Chen Jinsheng and Ms. Zhang Jianhua, pursuant to which the Company agreed to issue, and the subscribers agreed to subscribe for, the zero coupon subordinated convertible notes due 2011 in the aggregate principal amount of HK$50.0 million;

(h) a sale and purchase agreement dated 19 August 2010 (as amended and supplemented by the supplemental agreements dated 29 December 2010, 17 February 2011 and 31 March 2011) entered into between Wingames Investments Limited, as the purchaser, China Zhongfu Industry Co., Ltd., Shanghai Zhongfu International Trading Co., Ltd., Anhui Anhe Investment Consulting Co., Ltd., Mr. Wang Ji Sheng and Mr. Ge Qian Song, as the guarantors, Mascot Land Limited, as a procurer, and the Company, whereby Wingames Investments Limited agreed to acquire (i) the entire equity interest in Shanghai Fu Shou Yuan Industry Development Co., Ltd.; (ii) the 10% equity interest in Shandong Fu Shou Yuan Development Co., Ltd; (iii) the entire equity in Shanghai Fu Shou Yuan Consulting & Management Co., Ltd.; and (iv) the 10% equity interest in Chongqing Anle Services Co., Ltd. at a total consideration of HK$3,360 million;

(i) supplemental agreements dated 29 December 2010, 17 February 2011 and 31 March 2011, entered into between Wingames Investments Limited, the Procurer and the Guarantors to amend certain terms of the Acquisition Agreement regarding the Shanghai FSY Acquisition. The Shanghai FSY Acquisition has not been completed; and

(j) the Agreement.

As at the Latest Practicable Date, save as disclosed above, no material or may be material contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years preceding the date of this circular.

6. EXPERTS AND CONSENTS

(a) The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

Partners Capital	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
Zenith CPA Limited	Certified Public Accountants

(b) Each of Partners Capital and Zenith CPA Limited has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of, and references, to its name and/or its opinion in the form and context in which they are included.

(c) As at the Latest Practicable Date, none of Partners Capital and Zenith CPA Limited had any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(d) As at the Latest Practicable Date, none of Partners Capital and Zenith CPA Limited had any interest, direct or indirect, in any asset which has been, since 31 March 2011, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

(a) The registered office and principal office of the Company in Hong Kong is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit C, 19/F., Entertainment Building, 30 Queen's Road Central, Hong Kong respectively.

(b) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, which is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Tsui Siu Hung Raymond. Mr. Tsui holds a bachelor degree in business administration in accounting. He is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of the Certified Public Accountants.

(d) This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, Unit C, 19/F., Entertainment Building, 20 Queen's Road Central, Hong Kong, up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for each of the two years ended 31 March 2011;

(c) the letter dated 25 November 2011 from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;

(d) the letter dated 25 November 2011 from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;

(e) the report prepared by Zenith CPA Limited on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(f) the written consents referred to in the paragraph headed "Experts and consents" in this Appendix;

(g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and

(h) the Agreement.

China HealthCare Holdings Limited
中國衛生控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 673)

NOTICE IS HEREBY GIVEN that a special general meeting of China HealthCare Holdings Limited (the "Company") will be held at 10:00 a.m. on Monday, 12 December 2011 at 5/F., Building 88, 1199 North Qin Zhou Road, Caohejing Hi-Tech Park, Xuhui District, Shanghai, China for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the sale and purchase agreement dated 15 September 2011 (a copy of which marked "A" has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) entered into between Harvest Network Limited and Shanghai De Yi Er Investment Management Consulting Co. Ltd. (collectively, the "Vendors") and Shanghai Huiqu E-commerce Company Limited and Shanghai Harvest Network Technology Co., Ltd. in relation to the disposal of (i) the entire equity interest in Shanghai Harvest Network Technology Co., Ltd. by the Vendors to Shanghai Huiqu E-commerce Company Limited; and (ii) the 10% equity interest in Shanghai Kejin Network Technology Company Limited by Shanghai De Ye Er Investment Management Consulting Co. Ltd. to Shanghai Harvest Network Technology Co., Ltd. at a total consideration of RMB35,910,837 (the "Agreement"), details of which are set out in the circular of the Company dated 25 November 2011, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

* *for identification purposes only*

(b) the directors of the Company be and are hereby authorized to do all such acts and things and execute such further documents and take all steps which, in their opinion may be necessary, desirable, or expedient to implement and give effect to the terms of, and all transactions contemplated under, the Agreement for and on behalf of the Company and to approve any change and amendment thereto as they may consider necessary, desirable or expedient."

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

Hong Kong, 25 November 2011

Principal Place of Business in Hong Kong:
Unit C, 19/F., Entertainment Building
30 Queen's Road Central, Hong Kong.

Notes:

1. A member entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote instead of him/her in the special general meeting. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the special general meeting or any adjourned meeting thereof should he/she so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

4. As at the date of this notice, the board of directors of the Company 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.