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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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 (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or 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.

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China HealthCare Holdings Limited
中國衛生控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 673)

**REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to China HealthCare Holdings Limited

Hercules

Hercules Capital Limited

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



A letter from an independent committee of the board of directors of the Company (the “Independent Board Committee”) is set out on page 11 of this circular. A letter from Octal Capital Limited, the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company, is set out on pages 12 to 18 of this circular.

A notice convening a special general meeting of the Company to be held at 10:00 a.m. on Tuesday, 30 July 2013 at Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong is set out on pages 19 to 21 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (<http://chc673.com>).

Whether or not you are able to attend the special general meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, 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 holding 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.

15 July 2013

* for identification purposes only

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 28 August 2012 in which the Shareholders approved, among others, the Current General Mandate
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-law(s)”	the bye-law(s) of the Company, as amended from time to time
“Company”	China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Current General Mandate”	the general mandate approved at the AGM by the Shareholders authorizing the Directors to allot and issue Shares up to 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolutions
“Director(s)”	the director(s) of the Company
“Existing Convertible Bonds”	the convertible bonds issued by the Company to certain independent investors on 19 May 2005 with original maturity date on 18 May 2009
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders as to the fairness and reasonableness of the refreshment of the Current General Mandate, the voting at the SGM and whether the refreshment of the Current General Mandate is in the interests of the Company and the Shareholders as a whole

DEFINITIONS

“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed for conducting Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Current General Mandate
“Independent Shareholders”	Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	10 July 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New General Mandate”	the general mandate proposed to be granted to the Directors at the SGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolutions
“Preference Shares”	15,000 redeemable convertible cumulative preference shares of US\$0.01 each in the capital of the Company issued in accordance with the terms and conditions of the subscription agreement dated 5 April 2006 and supplemental agreements dated 24 November 2012, 31 March 2013 and 28 June 2013 entered into between the Company and the holder of the Preference Shares in relation to the arrangement of redemption of the Preference Shares
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be held at 10:00 a.m. on Tuesday, 30 July 2013 at Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 19 to 21 of this circular, or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



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:

Mr. Jia Hong Sheng (*Chairman*)
Dr. Li Zhong Yuan
Mr. Zhou Bao Yi
Mr. Chung Ho

Registered Office:

26 Burnaby Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

Mr. Mu Xiangming
Mr. Jiang Bo
Dr. Yan Shi Yun
Mr. Zhao Hua

Head Office and Principal Place

of Business in Hong Kong:
Unit 801, 8/F,
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

15 July 2013

To the Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

The purposes of this circular is to provide Shareholders with (i) information in respect of the refreshment of the Current General Mandate to be proposed at the SGM; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the refreshment of the Current General Mandate; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the refreshment of the Current General Mandate; and (iv) the notice of SGM, at which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the refreshment of the Current General Mandate.

* for identification purposes only

LETTER FROM THE BOARD

2. REFRESHMENT OF THE CURRENT GENERAL MANDATE

At the AGM, the Shareholders approved, among others, ordinary resolutions for granting to the Directors the Current General Mandate to allot and issue not exceeding 100,651,933 Shares, being 20% of the entire issued share capital of the Company of 503,259,665 Shares as at the date of passing the relevant resolutions. During the period from the granting of the Current General Mandate to the Latest Practicable Date, 100,000,000 Shares, representing approximately 99.35% of the total number of Shares issuable under the Current General Mandate, were issued under the Current General Mandate for the acquisition of the entire issued share capital of Anew Capital Limited pursuant to the sale and purchase agreement dated 24 November 2012 entered into between, among others, Fulvis Investment Limited, a wholly-owned subsidiary of the Company, and Firstsail Investments Limited, details of which were set out in the announcement of the Company dated 25 November 2012. As at the Latest Practicable Date, the Company has not made any refreshment of the Current General Mandate since the AGM.

The Company will convene the SGM, at which ordinary resolutions will be proposed to the Independent Shareholders that the Directors be granted the general mandate to allot, issue or deal with new Shares of not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant resolutions.

As at the Latest Practicable Date, the Company had an aggregate of 603,259,665 Shares in issue. Subject to the passing of the ordinary resolutions for approval of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the New General Mandate to allot and issue up to 120,651,933 Shares, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The New General Mandate will continue in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by law or by the Bye-laws; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

3. REASONS FOR THE REFRESHMENT OF THE CURRENT GENERAL MANDATE

The Group is principally engaged in the provision of B-to-C consumer services and distribution of cooling systems in the PRC.

As disclosed in the Company's announcement of final results for the year ended 31 March 2013 published on 28 June 2013, the Group had net current liabilities, net liabilities and net liabilities attributable to owners of the Company of approximately HK\$60.6 million, HK\$3.1 million and HK\$84.2 million respectively. As at 31 March 2013, the Group had cash and bank balances of approximately HK\$14.2 million, of which approximately HK\$9.9 million were restricted bank balances. Therefore, the Group only had approximately HK\$4.3 million cash and bank balances that could be freely utilized. Meanwhile, the Group had total liabilities of approximately HK\$295.4 million as at 31 March 2013, of which liability component of Existing Convertible Bonds with interest at amortized cost amounted to approximately HK\$48.1 million and liability component of Preference Shares with interest at amortized cost amounted to approximately HK\$115.5 million. The original maturity date of the Existing Convertible Bonds is 18 May

LETTER FROM THE BOARD

2009. After expiry of the maturity date, the Company reached an understanding with the major holder of the Existing Convertible Bonds to conditionally postpone the payment by the Company to 17 May 2013. Up to the Latest Practicable Date, the Company has not redeemed any part of the Existing Convertible Bonds yet. However, the Company has obtained verbal agreement from the majority of the holders of the Existing Convertible Bonds for further deferral of the redemption date of the Existing Convertible Bonds. In addition, an amendment agreement has been entered into between the Company and the holder of the Preference Shares to extend the final settlement date of the Preference Shares to 30 June 2014.

As disclosed in the announcements of the Company dated 25 November 2012 and 31 March 2013 in relation to, among other things, the proposed fund raising and redemption of Preference Shares, the Company intends to carry out equity or equity-linked fund raising to redeem the Preference Shares and, at its discretion, to settle part of the dividends of the Preference Shares by issuance of new Shares. The Directors continue their effort to raise fund and bring viable asset(s) and/or project(s) into the Group to repay the outstanding liabilities and solve the insolvency problem of the Company and they have used their best endeavor to explore other fund raising opportunities. However, in view of the liquidity position and the continuous operating loss-making records of the Group, no concrete plans and/or arrangements have been made in relation to the proposed fund raising activities as at the Latest Practicable Date.

In view of the liquidity position of the Group, the Board considers that equity financing through the use of the New General Mandate is an important avenue of resources to the Group as it (i) does not create any interest paying obligations on the Group as in bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer as the time and cost for refreshment of Current General Mandate is relatively minimal as compared to the time and cost for rights issue or open offer, which generally involves negotiations with underwriters and underwriting commission and relatively high documentation preparation costs and professional fees; and (iii) provides the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any capital raising or prospective investment opportunity as and when it arises. The Board considers that such ability is crucial in a competitive and rapidly changing investment environment and in times of volatile market conditions.

Given that the Current General Mandate had been substantially utilized after the issuance of 100,000,000 Shares, representing approximately 99.35% of the aggregate number of Shares which may be allotted and issued under the Current General Mandate, for partial settlement of the consideration for the acquisition of the entire issued share capital of Anew Capital Limited, the Directors consider that it is beneficial to the Company to refresh the Current General Mandate as the refreshment will give the Company more flexibility and the ability to react timely to changes in the capital market and capture any capital raising or investment opportunity as and when it arises. Furthermore, the maximum dilution effect on the shareholding is limited to 20% of the existing issued share capital of the Company as at the date of the SGM and 16.67% of the enlarged issued share capital of the Company immediately upon full utilization of the New General Mandate.

The Directors consider that funding requirements or appropriate investment opportunities may or may not arise at any time prior to the next annual general meeting. Given that the Company is facing serious liquidity problem and unsatisfactory performance for previous years, it is difficult although not impossible to raise fund for the Company. If such opportunities arise prior to the next annual general meeting, decisions may have to be made within a limited period of time. In the event that the Company is unable to refresh the

LETTER FROM THE BOARD

Current General Mandate but to seek specific mandate from the Shareholders when specific terms for the fund raising are identified, the timely process may delay or even hinder the fund raising opportunities for the Group in recent volatile market conditions and rapidly changing investment environment.

If any potential investor offers attractive terms for investment in the Shares subject to the then market conditions, the Directors will consider and may conduct an equity fund raising exercise by issuing new Shares, the proceeds of which may be used as general working capital, repayment of debt and/or for supporting the Group's future business development. As at the Latest Practicable Date, the Company has not entered into any legally-binding agreement in respect of any fund raising activity and there is currently no concrete proposal presented by potential investors for investment in the Shares. Announcement will be made by the Company in the event any concrete fund raising plan arises as and when appropriate.

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

Having considered the abovementioned advantages of granting the New General Mandate to the Directors and the extent of the dilution effect of utilizing the New General Mandate, the Board is of the view that the refreshment of the Current General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

4. SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding structure of the Company as at the Latest Practicable Date and, for illustrative purposes only, upon the full utilization of the New General Mandate, prepared on the basis that there would be no changes in the issued share capital of the Company after the Latest Practicable Date other than as stated.

	As at the Latest Practicable Date		Upon full utilization of the New General Mandate	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Li Zhong Yuan and his associates (Note 1)	24,443,000	4.05	24,443,000	3.38
Martin Treffer and his associates (Note 2)	1,545,000	0.26	1,545,000	0.21
Zhou Bao Yi (Note 3)	1,002,000	0.17	1,002,000	0.14
Mu Xiangming (Note 3)	261,000	0.04	261,000	0.04
Jiang Bo (Note 3)	261,000	0.04	261,000	0.04
Dragonrise Capital Advisors Inc. (Note 4)	62,480,474	10.36	62,480,474	8.63
ZhongXing Limited (Note 5)	76,160,474	12.62	76,160,474	10.52
Firstsail Investments Limited (Note 6)	100,000,000	16.58	100,000,000	13.81
Maximum number of new Shares can be issued under the New General Mandate, if granted	–	–	120,651,933	16.67
Other public Shareholders	<u>337,106,717</u>	<u>55.88</u>	<u>337,106,717</u>	<u>46.56</u>
Total	<u>603,259,665</u>	<u>100.00</u>	<u>723,911,598</u>	<u>100.00</u>

Notes:

1. These Shares include 11,147,000 Shares held by Pacific Annex Capital Limited, a company wholly-owned by Li Zhong Yuan, a Director, and 13,296,000 Shares held by Li Zhong Yuan.
2. These Shares include 1,295,000 Shares held by 2Trade Group Limited, a company beneficially owned as to 35% by Martin Treffer, an ex-Director resigned on 3 April 2013, and 250,000 Shares held by Martin Treffer.
3. Zhou Bao Yi, Mu Xiangming and Jiang Bo are Directors.
4. Dragonrise Capital Advisors Inc. is beneficially wholly-owned by Yeung Ning.
5. ZhongXing Limited is beneficially wholly-owned by Ho Kin.
6. Firstsail Investments Limited is beneficially owned as to 50% by Chan Lee On and 50% by Shen Yuluo.

Assuming that (i) the refreshment of the Current General Mandate is approved at the SGM; and (ii) no Shares are repurchased and no new Shares are issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive), 120,651,933 Shares, which represents 20% of the existing issued share capital as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as

LETTER FROM THE BOARD

enlarged by the issue of such Shares, are to be issued upon full utilization of the New General Mandate. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 55.88% to approximately 46.56% upon full utilization of the New General Mandate.

5. SGM AND PROXY ARRANGEMENT

A notice convening the SGM to be held at 10:00 a.m. on Tuesday, 30 July 2013 at Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong is set out on pages 19 to 21 of this circular for the purpose of considering and, if thought fit, passing the resolutions set out therein.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://chc673.com>). Whether or not you are able to attend the SGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26/F, 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 holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event, the proxy form shall be deemed to be revoked.

6. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 13.36(4) of the Listing Rules, the refreshment of the Current General Mandate requires the approval of the Independent Shareholders at the SGM at which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolutions approving the refreshment of the Current General Mandate at the SGM. As at the Latest Practicable Date, the Company had no controlling Shareholders. Save for Dr. Li Zhong Yuan and Mr. Zhou Bao Yi, both are executive Directors, who together with their respective associates had interests in 24,443,000 Shares and 1,002,000 Shares respectively, representing an aggregate of approximately 4.22% of the total issued share capital of the Company as at the Latest Practicable Date, no other Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates held any Share as at the Latest Practicable Date.

The Board has been advised by Dr. Li Zhong Yuan and Mr. Zhou Bao Yi and their respective associates that they have no intention to vote against the relevant resolutions to approve the refreshment of the Current General Mandate at the SGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the proposed resolutions will be put to vote by way of poll at the SGM. An announcement on the poll results of the SGM will be made by the Company after the SGM in accordance with the requirements under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

The Independent Board Committee, which comprises Mr. Mu Xiangming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the refreshment of the Current General Mandate.

Octal Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Current General Mandate.

7. 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 enquires, 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.

8. RECOMMENDATION

The Directors (including independent non-executive Directors having considered the advice from the Independent Financial Adviser) consider that the proposed refreshment of the Current General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned and, accordingly recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM for approving the refreshment of the Current General Mandate.

9. GENERAL INFORMATION

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 12 to 18 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Current General Mandate and the letter from the Independent Board Committee set out on page 11 of this circular which contains its recommendation to the Independent Shareholders in relation to the refreshment of the Current General Mandate.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 673)

15 July 2013

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

We refer to the circular of the Company dated 15 July 2013 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the proposed refreshment of the Current General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Octal Capital has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal reasons and factors considered by, and the advice of, Octal Capital as set out in its letter of advice to us as set out on pages 12 to 18 of the Circular, we are of the opinion that the refreshment of the Current General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the refreshment of the Current General Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mu Xiangming <i>Independent</i> <i>non-executive Director</i>	Jiang Bo <i>Independent</i> <i>non-executive Director</i>	Yan Shi Yun <i>Independent</i> <i>non-executive Director</i>	Zhao Hua <i>Independent</i> <i>non-executive Director</i>
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* *for identification purposes only*

LETTER FROM OCTAL CAPITAL

The following is the text of a letter of advice from the Independent Financial Adviser in connection with the proposed refreshment of the Current General Mandate which has been prepared for inclusion in this circular.



801-805, 8/F, Nan Fung Tower,
173 Des Voeux Road Central,
Hong Kong

15 July 2013

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED REFRESHMENT OF CURRENT GENERAL MANDATE

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Current General Mandate (the “General Mandate Refreshment”), particulars of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular to the Shareholders dated 15 July 2013 (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.

Pursuant to Rule 13.36(4) of the Listing Rules, the General Mandate Refreshment is subject to the approval of the Independent Shareholders at the SGM by way of poll. In this regard, the Independent Board Committee has been established to advise the Independent Shareholders on the General Mandate Refreshment, and Octal Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the same.

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 management of the Company regarding the Group and the General Mandate Refreshment, 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 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. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective associates nor have we carried out any independent verification of the information supplied.

LETTER FROM OCTAL CAPITAL

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion regarding the General Mandate Refreshment, we have considered the following principal factors and reasons:

1. Background of and reasons for the General Mandate Refreshment

The Company is incorporated in Bermuda as an exempted company with limited liability. The Group is principally engaged in the provision of B-to-C consumer services and sale and distribution of cooling systems in the PRC.

As mentioned in the Letter from the Board, at the AGM held on 28 August 2012, the Shareholders approved, among others, an ordinary resolution for granting to the Directors the Current General Mandate to allot and issue not exceeding 100,651,933 Shares, being 20% of the entire issued share capital of the Company of 503,259,665 Shares as at the date of passing the relevant resolution.

During the period from the granting of the Current General Mandate to the Latest Practicable Date, the Current General Mandate had been utilized as to 100,000,000 Shares, representing approximately 99.35% of total number of Shares issuable under the Current General Mandate. Pursuant to its announcement dated 25 November 2012, the Company entered into an acquisition of the sale and distribution of cooling systems business. The Company has not made any refreshment of the Current General Mandate since the AGM.

If the Current General Mandate is not refreshed and assuming that no Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of the SGM, the Directors would only be allowed to further allot and issue up to 651,933 Shares, representing approximately 0.11% of the entire issued share capital of the Company, as the Current General Mandate has almost been fully utilised.

Pursuant to the Company's announcement dated 28 June 2013 in relation to its final results for the year ended 31 March 2013, the Group recorded net current liabilities, net liabilities and net liabilities attributable to owners of the Company of approximately HK\$60.6 million, HK\$3.1 million and HK\$84.2 million respectively as at 31 March 2013. The Group had cash and bank balances of approximately HK\$14.2 million as at 31 March 2013, of which approximately HK\$9.9 million were restricted bank balances. Meanwhile, the Group had total liabilities of approximately HK\$295.4 million as at 31 March 2013, which include the liability component of Existing Convertible Bonds with interest at amortized cost amounted to approximately HK\$48.1 million and liability component of Preference Shares with interest at amortized cost amounted to approximately HK\$115.5 million. The original maturity date of the Existing Convertible Bonds is 18 May 2009. After expiry of the maturity date, the Company reached an understanding with the major holder of the Existing Convertible Bonds to conditionally postpone the payment by the Company to 17 May 2013. Up to the Latest Practicable Date, the Company has not redeemed any part of the Existing Convertible Bonds yet. However, the Company has, as disclosed in the Letter from the Board, obtained verbal agreement from the majority of the holders of the Existing Convertible Bonds that they agreed to further defer the redemption date of the Existing Convertible Bonds. In addition, an amendment agreement has been entered into between the Company and the holder of the Preference Shares to extend the final settlement date of the Preference Shares to 30 June 2014.

LETTER FROM OCTAL CAPITAL

The Group also recorded a total comprehensive income of approximately HK\$125.7 million for the year ended 31 March 2013 while the gross profit generated from the existing B-to-C consumer services business had decreased significantly as compared with prior year. However, excluding the gain from the extinguishment of liability component of the redeemable convertible cumulative preference shares of approximately HK\$293.6 million which is non-recurring in nature, the Group would have recorded a total comprehensive loss of approximately HK\$167.9 million for the year ended 31 March 2013. As part of our due diligence review, we have requested and reviewed the unaudited latest cash and bank position of the Group and noted the solvency and liquidity position of the Group has not been substantially improved as compared to that as at 31 March 2013.

As disclosed in the announcements of the Company dated 25 November 2012 and 31 March 2013 in relation to, among other things, the proposed fund raising and redemption of Preference Shares, the Company intends to carry out equity or equity-linked fund raising to redeem the Preference Shares and, at its discretion, to settle part of the dividends of the Preference Shares by issuance of new Shares. In view of maximising the financing flexibility to raise further capital through issue of new Shares before the next annual general meeting, the Company proposes to seek approval of the Independent Shareholders at the SGM to grant the New General Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the entire issued share capital of the Company as at the date of the SGM. As disclosed in its announcement dated 31 March 2013, the Company agreed to apply HK\$10 million of the proceeds as the non-refundable deposit for the redemption of the Preference Shares upon the materialization of the proposed fund raising activities. Pursuant to discussion with the Directors and based on the facts that the Group (i) incurred a loss (excluding the impact from extinguishment of liability component of redeemable convertible cumulative preference shares for the year ended 31 March 2013 which is non-recurring in nature) for the years ended 31 March 2012 (restated) and 2013, and (ii) recorded net liabilities as at 31 March 2012 (restated) and 2013, we believe the Company has a need to explore the possibility of equity fund raising to rectify its financial position. As disclosed in the Letter from the Board, the Directors continue their effort to raise fund and bring viable asset(s) and/or project(s) into the Group to repay the outstanding liabilities and solve the insolvency problem of the Company and they have used their best endeavor to explore other fund raising opportunities. However, in view of the liquidity position and the continuous loss-making records of the Group, no concrete plans and/or arrangements have been made in relation to the proposed fund raising activities as at the Latest Practicable Date.

We note that the next annual general meeting of the Company, in which the refreshment of the Current General Mandate could also be sought, is impending and expected to be held in August 2013, which is around one to two months from the date of this letter. As confirmed by the Directors, as at the Latest Practicable Date, the Company did not have a concrete plan to utilise the New General Mandate, neither by issuing new Shares for cash and/or for conversion of convertible bonds/preference shares of the Company under the Current General Mandate during the period from the Latest Practicable Date up to the next annual general meeting which is expected to be held in August 2013. As set out in the Letter from the Board and based on our enquiries to the Directors, taking into consideration of net liability position of the Company as at 31 March 2013 as reflected in its announcement of final results and the volatility of the market, the Company has a very imminent need to raise funding and may fail to grasp investment or fund raising opportunities if it needs to wait around one to two months until the next annual general meeting for the refreshment of the Current General Mandate and in most circumstances, vendors or potential investors do not generally wish to wait for such a long period to conclude any deals. In view of the above, we are of the opinion that it is reasonable that the Group requires additional funding in a very short period of time to fund

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for the redemption of the Preference Shares, or to settle part of the dividends of the Preference Shares by issuance of new Shares and improvement of its financial position and the refreshment of the Current General Mandate would provide the Company with the necessary flexibility to fulfill the funding for the redemption of the Preference Shares, and for improvement of the aforesaid net liability position. As disclosed in the Letter from the Board, the Company has not entered into any legally-binding agreement in respect of any fund raising activities and there is currently no concrete proposal presented by potential investors for investment in the Shares as at the Latest Practicable Date. If the Company proposes to issue any new Shares using the Current General Mandate, it will make further announcement(s) as and when required.

Subject to the approval of the Independent Shareholders for the General Mandate Refreshment at the SGM and assuming that no other Shares will be issued and/or repurchased by the Company on or prior to the date of the SGM, the entire issued share capital of the Company would be 603,259,665 Shares and the Directors will be able to allot and issue up to 120,651,933 new Shares, representing approximately 20.00% of the entire issued share capital of the Company as at the date of the SGM and 16.67% of the issued share capital of the Company as enlarged by the issue of the Shares in full under the New General Mandate.

In light of the above, and having considered that the next annual general meeting will not be held until around August 2013 as advised by the Directors, which is about one to two months from the Latest Practicable Date, we are of the view that the General Mandate Refreshment would (i) provide the Company with necessary financing flexibility for funding needs as and when they arise; and (ii) facilitate the Company to raise funds in a meaningful quantum if and when necessary in a timely manner, we therefore consider that the General Mandate Refreshment is in the interests of the Company and the Shareholders as a whole.

2. Fund raising activities of the Company

According to the information provided by the Directors, the Company had not conducted any fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

3. Utilisation of the Current General Mandate

Pursuant to the Current General Mandate which was granted at the AGM held on 28 August 2012, only a maximum number of 100,651,933 Shares can be allotted and issued by the Directors. As at the Latest Practicable Date, the entire issued share capital of the Company and the number of Shares has been allotted and issued pursuant to the Current General Mandate were 603,259,665 Shares and 100,000,000 Shares respectively.

In this case, the Current General Mandate granted to the Directors will almost be fully utilised and the Company will not have sufficient general mandate, if so required to be utilised, until a new general mandate is approved in the next annual general meeting which will not be held until around August 2013 as advised by the Directors.

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4. Other financing alternatives

We understand that it is the Directors' belief that the General Mandate Refreshment will provide the Company with an alternative of equity funding to improve its financial position. It is anticipated that the General Mandate Refreshment could enhance the financing flexibility of the Company to raise equity fund, if and when required, by way of issuance of new Shares.

The Directors, after considering various methods of fund raising exercises, are of the view that equity financing is in the interests of the Company and the Shareholders as a whole because it (i) does not create any interest paying obligations on the Group as in bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer as the lead time and cost for refreshment of Current General Mandate is relatively minimal as compared to the lead time and cost for rights issue or open offer, which generally involves negotiations with underwriters and underwriting commission and relatively high documentation preparation costs and professional fees; and (iii) provides the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any capital raising or prospective investment opportunity as and when it arises. We concur with the Directors that, in the event that the Company is unable to refresh the Current General Mandate but to seek specific mandate from the Shareholders when specific terms for the fund raising are identified, the timely process may delay or even hinder the fund raising opportunities for the Group in recent volatile market conditions and rapidly changing investment environment.

The General Mandate Refreshment would provide the Group with a higher degree of financing flexibility as allowed under the Listing Rules to issue new Shares to raise capital and improve the equity base of the Company. On the above basis, we consider there are acceptable grounds for the Directors to propose the General Mandate Refreshment thereof at the SGM.

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5. Potential dilution to shareholding interests of the Independent Shareholders

Set out below is a summary of the shareholding structure of the Company as at the Latest Practicable Date and, for illustrative purposes only, upon the full utilization of the New General Mandate, prepared on the basis that there would be no changes in the issued share capital of the Company after the Latest Practicable Date other than as stated.

	As at the Latest Practicable Date		Upon full utilization of the New General Mandate	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
Li Zhong Yuan and his associates (<i>Note 1</i>)	24,443,000	4.05	24,443,000	3.38
Martin Treffer and his associates (<i>Note 2</i>)	1,545,000	0.26	1,545,000	0.21
Zhou Bao Yi (<i>Note 3</i>)	1,002,000	0.17	1,002,000	0.14
Mu Xiangming (<i>Note 3</i>)	261,000	0.04	261,000	0.04
Jiang Bo (<i>Note 3</i>)	261,000	0.04	261,000	0.04
Dragonrise Capital Advisors Inc. (<i>Note 4</i>)	62,480,474	10.36	62,480,474	8.63
ZhongXing Limited (<i>Note 5</i>)	76,160,474	12.62	76,160,474	10.52
Firstsail Investments Limited (<i>Noted 6</i>)	100,000,000	16.58	100,000,000	13.81
Maximum number of new Shares can be issued under the New General Mandate, if granted	–	–	120,651,933	16.67
Other public Shareholders	<u>337,106,717</u>	<u>55.88</u>	<u>337,106,717</u>	<u>46.56</u>
Total	<u>603,259,665</u>	<u>100.00</u>	<u>723,911,598</u>	<u>100.00</u>

Notes:

1. These Shares include 11,147,000 Shares held by Pacific Annex Capital Limited, a company wholly-owned by Li Zhong Yuan, a Director, and 13,296,000 Shares held by Li Zhong Yuan.
2. These Shares include 1,295,000 Shares held by 2Trade Group Limited, a company beneficially owned as to 35% by Martin Treffer, an ex-Director resigned on 3 April 2013, and 250,000 Shares held by Martin Treffer.
3. Zhou Bao Yi, Mu Xiangming and Jiang Bo are Directors.
4. Dragonrise Capital Advisors Inc. is beneficially wholly-owned by Yeung Ning,
5. ZhongXing Limited is beneficially wholly-owned by Ho Kin.
6. Firstsail Investments Limited is beneficially owned as to 50% by Chan Lee On and 50% by Shen Yuluo.

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Assuming that (i) the refreshment of the Current General Mandate is approved at the SGM; and (ii) no Shares are repurchased and no new Shares are issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive), 120,651,933 Shares, which represents 20% of the existing issued share capital as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of such Shares, are to be issued upon full utilization of the New General Mandate. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 55.88% to approximately 46.56% upon full utilization of the New General Mandate.

Taking into consideration that the General Mandate Refreshment will increase the amount of capital which may be raised thereunder and will provide more options to the Group for improving its financial position and the fact that the shareholding of all the Shareholders will be diluted to the same extent upon any utilisation of the new general mandate, we consider that the potential dilution to the shareholding of the Shareholders is acceptable.

Shareholders should note that the Current General Mandate will be revoked upon approval at the SGM of the New General Mandate which will be and continue to be in force until the earliest of (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed at the SGM by an ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with the Listing Rules.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the General Mandate Refreshment is fair and reasonable so far as the Independent Shareholders are concerned and the General Mandate Refreshment is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution approving the General Mandate Refreshment at the SGM.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung
Managing Director

Hickman Wong
Director

NOTICE OF SGM



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 Tuesday, 30 July 2013 at Unit 801, 8/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the directors of the Company at the annual general meeting (the “AGM”) of the Company held on 28 August 2012 be and is hereby revoked and replaced by the mandate **THAT**:
 - (a) subject to paragraph 1(c) below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph 1(d) below) of all the powers of the Company to allot, issue and deal with authorized and unissued shares in the share capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares of the Company, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph 1(a) above shall authorize the directors of the Company to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the directors of the Company pursuant to the approval in paragraph 1(a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph 1(d) below); (ii) any issue of shares of the Company on the exercise of the outstanding subscription rights or conversion rights attaching to the securities issued by the Company which are convertible into shares of the Company; (iii) the exercise of options under a share option scheme of the Company; or (iv) any scrip dividend or similar arrangement providing for

* for identification purposes only

NOTICE OF SGM

the allotment of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution; and
- (ii) (if the directors of the Company are so authorized by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the AGM),

and the authority pursuant to paragraph 1(a) of this resolution shall be limited accordingly; and

- (d) for the purposes of this resolution,

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; and
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

“Rights Issue” means an offer of ordinary shares of the Company open for a period fixed by the directors of the Company to shareholders of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognized regulatory body or any stock exchange).”

2. **“THAT** conditional upon the passing of resolution number 1 above, the mandate granted to the directors of the Company at the AGM to extend the general mandate to allot and issue shares of the Company to shares of the Company repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the directors of the Company be and are hereby authorized

NOTICE OF SGM

to exercise the authority referred to in paragraph (a) of resolution number 1 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such resolution.”

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

Hong Kong, 15 July 2013

*Principal Place of Business in Hong Kong:
Unit 801, 8/F, China Insurance Group Building
141 Des Voeux Road Central, Hong Kong.*

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be returned to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, 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 holding the meeting or any adjournment thereof. Completion and delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the form of proxy shall be deemed to be revoked.
3. Where there are joint holders of any share of the Company, any one of such persons may vote at the special general meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the special general meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. As at the date hereof, the board of directors of the Company comprises four executive directors, namely Mr. Jia Hong Sheng (Chairman), Dr. Li Zhong Yuan, Mr. Zhou Bao Yi and Mr. Chung Ho; and four independent non-executive directors, namely Mr. Mu Xiangming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua.