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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)

Financial Adviser to the Company



Karl Thomson Financial Advisory Limited

PLACING OF EXISTING SHARES
AND
TOP-UP SUBSCRIPTION OF NEW SHARES

On 21 August 2013 (after trading hours), the Vendors, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Vendors agreed to place, through the Placing Agent, on a best effort basis, a maximum of 90,000,000 existing Shares, to not less than six Places at the Placing Price of HK\$0.33 per Placing Share.

On the same day, the Top-up Subscription Agreement was entered into between the Vendors and the Company, pursuant to which the Vendors conditionally agreed to subscribe for such number of Top-up Subscription Shares equal to the number of the Placing Shares at the Top-up Subscription Price of HK\$0.33 per Top-up Subscription Share.

The Placing Price (or the Top-up Subscription Price) of HK\$0.33 represents a discount of 17.50% to the benchmarked closing price of HK\$0.4 per Share, which is the higher of (i) the closing price of HK\$0.4 as quoted on the Stock Exchange on 21 August 2013, being the date of this announcement; and (ii) the average closing price of HK\$0.398 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of this announcement.

* *for identification purposes only*

The maximum number of 90,000,000 Placing Shares (or the maximum number of 90,000,000 Top-up Subscription Shares) represents (i) approximately 14.21% of the existing issued share capital of the Company of 633,289,695 Shares as at the date of this announcement; and (ii) approximately 12.44% of the issued share capital of the Company of 723,289,695 Shares as enlarged by the issue of Top-up Subscription Shares pursuant to the Top-up Subscription Agreement, assuming the Placing Shares are placed in full and no further new Shares will be issued before the completion of the Top-up Subscription. The Placing is unconditional whereas the Top-up Subscription is conditional upon (i) the Stock Exchange having granted the listing of, and permission to deal in, the Top-up Subscription Shares; and (ii) the completion of the Placing.

The gross proceeds from the Top-up Subscription will be HK\$29,700,000. The net proceeds of approximately HK\$29,328,750 from the Top-up Subscription are intended to be used as general working capital of the Group.

THE PLACING AGREEMENT

Date

21 August 2013 (after trading hours)

Parties

- (a) Vendors;
- (b) the Company; and
- (c) the Placing Agent.

Placing Agent

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected persons of the Company and its associates.

Placees

The Placing Agent agreed to, on a best effort basis, place the Placing Shares to not less than six Placees who are institutional or other professional investors and who (and whose ultimate beneficial owners) are (i) third parties independent of and not acting in concert with the Vendors (or any person acting in concert with it) and (ii) independent of and not connected with the Company, the directors, the substantial shareholders and chief executives of each member within the Group and their respective associates. It is expected that none of the Placees will become a substantial shareholder of the

Company immediately after the Placing. If any of the Placees becomes a substantial shareholder after completion of the Placing, the Company will make further announcement pursuant to the Listing Rules.

Placing Price

The Placing Price (or the Top-up Subscription Price) of HK\$0.33 represents a discount of 17.50% to the benchmarked closing price of HK\$0.4 per Share, which is the higher of (i) the closing price of HK\$0.4 as quoted on the Stock Exchange on 21 August 2013, being the date of this announcement; and (ii) the average closing price of HK\$0.398 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of this announcement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis among the Vendors, the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are fair and reasonable based on the current market conditions and that the Placing is in the interests of the Company and the Shareholders as a whole.

Number of Placing Shares

The maximum number of 90,000,000 Placing Shares (or the maximum number of 90,000,000 Top-up Subscription Shares) represents (i) approximately 14.21% of the existing issued share capital of the Company of 633,289,695 Shares as at the date of this announcement; and (ii) approximately 12.44% of the issued share capital of the Company of 723,289,695 Shares as enlarged by the issue of Top-up Subscription Shares pursuant to the Top-up Subscription Agreement, assuming the Placing Shares are placed in full and no further new Shares will be issued before the completion of the Top-up Subscription.

Placing commission

The Placing Agent will receive a placing commission of 1.25% on the gross proceeds of the Placing Shares being placed, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

Completion of the Placing

The Placing is unconditional save for the rights of the Placing Agent to exercise its rights to terminate the Placing Agreement as described in the paragraphs headed "Termination" below. Completion of the Placing shall take place within 14 days after the date of the Placing Agreement.

Termination

The Placing Agent may after consultation with the Vendors terminate the Placing Agreement if at any time on or prior to 10:00 a.m. on the completion date of the Placing:

- a) any new law or regulation or any change or development involving a prospective change in existing laws or regulations in any relevant jurisdiction which in the reasonable opinion of the Placing Agent has or is likely to have a material adverse effect on the financial position of the Company as a whole; or
- b) in the reasonable opinion of the Placing Agent, there shall have been, since the date of the Placing Agreement, such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially and adversely the consummation of the Placing; or
- c) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or there has been a material breach by the Vendors or the Company of any other provisions of the Placing Agreement; or
- d) any suspension of dealings in the Shares for more than five consecutive trading days (other than as a result of the Placing); or
- e) any moratorium, suspension or material restriction on trading in Shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the completion date of the Placing; or
- f) there is any such adverse change, or development involving a prospective adverse change in the general affairs, prospects, earnings, business, assets, stockholders' equity or in the financial or trading position of the Company as a whole which in the reasonable opinion of the Placing Agent is materially adverse to the consummation of the Placing.

In the event that the Placing Agent terminates the Placing Agreement, all obligations of the Vendors, the Company and the Placing Agent under the Placing Agreement, save for, amongst others, the payment of fees, commissions and expenses, shall cease and terminate and none of the parties above shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach.

THE TOP-UP SUBSCRIPTION AGREEMENT

Date

21 August 2013 (after trading hours)

Parties

- (a) The Vendors as subscribers for the Top-up Subscription Shares; and
- (b) the Company.

Top-up Subscription Price

The Top-up Subscription Price is HK\$0.33 per Top-up Subscription Share. The net price to the Company of each Top-up Subscription Shares is approximately HK\$0.326. The Top-up Subscription Price is the same as the Placing Price and was determined after arm's length negotiation between the Company and the Vendors with reference to the Placing Price. The Directors (including the independent non-executive Directors) consider that the terms of the Top-up Subscription Agreement are fair and reasonable and that the Top-up Subscription is in the interests of the Company and the Shareholders as a whole.

Number of Top-up Subscription Shares

The Company conditionally agreed to allot and issue, and the Vendors conditionally agreed to subscribe for up to 90,000,000 Top-up Subscription Shares which is equivalent to the number of Placing Shares. The maximum number of Top-up Subscription Shares represents (i) approximately 14.21% of the issued share capital of the Company of 633,289,695 Shares as at the date of this announcement; and (ii) approximately 12.44% of the issued share capital of the Company of 723,289,695 Shares as enlarged by the issue of Top-up Subscription Shares pursuant to the Top-up Subscription Agreement. The aggregate nominal value of the Top-up Subscription Shares will be HK\$9,000,000

Ranking of Top-up Subscription Shares

The Top-up Subscription Shares, when issued and fully paid, will rank equally in all respects among themselves and with the existing Shares in issue on the completion date of the Top-up Subscription.

General mandate to issue Top-up Subscription Shares

The Top-up Subscription Shares will be issued under the general mandate granted to the Directors at the special general meeting of the Company held on 30 July 2013, under which the maximum number of Shares which may be allotted and issued is 120,651,933 Shares. Such general mandate has been utilized as to approximately 24.89% due to 30,030,030 Shares being issued and allotted by the Company to First Capital Global Limited ("**First Capital**") on 15 August 2013 upon the capitalization of loan with a principal amount of HK\$10 million due from the Company to First Capital pursuant to the agreement dated 2 August 2013 entered into between the Company and First Capital (please refer to the announcement of the Company dated 2 August 2013 for further details). As a result, the issue of the Top-up Subscription Shares is not subject to further approval of the Shareholders.

Conditions of the Top-up Subscription

The Top-up Subscription is conditional upon:

- (a) the Stock Exchange having granted the listing of, and permission to deal in, the Top-up Subscription Shares; and
- (b) the completion of the Placing.

As the Top-up Subscription is subject to the fulfilment of the above conditions, the Top-up Subscription may or may not proceed to complete. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Completion of the Top-up Subscription

Completion of the Top-up Subscription will take place on the second Business Day (or such other date as may be agreed by the Company and the Vendors) immediately after the day on which all the conditions referred above are fulfilled.

Under Rule 14A.31(3)(d) of the Listing Rules, the Top-up Subscription must be completed within 14 days from the date of the Top-up Subscription Agreement, that is, on or before 4 September 2013. In the event that the Top-up Subscription is not completed by 4 September 2013, or such later date as may be agreed between the Company and the Vendors, the Company and the Vendors may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules (including the Shareholders approval), to postpone completion of the Top-up Subscription to a later date to be agreed between the Company and the Vendors.

REASON FOR THE PLACING AND TOP-UP SUBSCRIPTION AND INTENDED USE OF PROCEEDS

The Group is principally engaged in the provision of B-to-C consumer services and distribution of cooling systems in the People's Republic of China.

Having considered various ways of raising funds, the Directors believe that the Placing and the Top-up Subscription represent a good opportunity to raise capital for the Company to immediately strengthen its capital base with a simple and less time consuming process. Therefore, The Directors (including the independent non-executive Directors) are of the view that the Placing and the Top-up Subscription are in the interests of the Company and its Shareholders as a whole.

The gross proceeds from the Top-up Subscription will be HK\$29,700,000. The net proceeds of approximately HK\$29,328,750 from the Top-up Subscription are intended to be used as general working capital of the Group. The net proceeds raised per Share upon completion of the Top-up Subscription will be approximately HK\$0.326 per Top-up Subscription Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as the issuance of 30,030,030 Shares as mentioned in section “General mandate to issue Top-up Subscription Shares”, the Company had not carried out any equity fund raising exercise in the twelve months period immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The table below sets out the changes to the shareholding structure of the Company as a result of the completion of the Placing and the Top-up Subscription, assuming the Placing Shares are placed in full and no other Shares are issued between the date of this announcement and the completion of the Placing and the Top-up Subscription:

	As at the date of this announcement		Immediately after completion of the Placing but before the Top-up Subscription		Immediately after completion of the Placing and the Top-up Subscription	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
The Vendors:						
(1) Timenew Limited (Note 1)	24,443,000	3.86%	443,000	0.07%	24,443,000	3.38%
(2) Zhongxing Limited (Note 2)	71,570,474	11.30%	21,570,474	3.41%	71,570,474	9.90%
(3) Mr. Hou Shu Ming	<u>21,148,552</u>	<u>3.34%</u>	<u>5,148,552</u>	<u>0.81%</u>	<u>21,148,552</u>	<u>2.92%</u>
Subtotal	117,162,026	18.50%	27,162,026	4.29%	117,162,026	16.20%
Mr. Martin Treffer and his associates (Note 3)	1,545,000	0.24%	1,545,000	0.24%	1,545,000	0.21%
Mr. Zhou Bao Yi (Note 4)	1,002,000	0.16%	1,002,000	0.16%	1,002,000	0.14%
Mr. Mu Xiangming (Note 4)	261,000	0.04%	261,000	0.04%	261,000	0.04%
Mr. Jiang Bo (Note 4)	261,000	0.04%	261,000	0.04%	261,000	0.04%
Dragonrise Capital Advisors Inc. (Note 5)	48,155,474	7.60%	48,155,474	7.60%	48,155,474	6.66%
Firstsail Investments Limited (Note 6)	100,000,000	15.79%	100,000,000	15.79%	100,000,000	13.83%
The Places	–	–	90,000,000	14.21%	90,000,000	12.44%
Other public Shareholders	<u>364,903,195</u>	<u>57.63%</u>	<u>364,903,195</u>	<u>57.63%</u>	<u>364,903,195</u>	<u>50.44%</u>
Total	<u><u>633,289,695</u></u>	<u><u>100.00%</u></u>	<u><u>633,289,695</u></u>	<u><u>100.00%</u></u>	<u><u>723,289,695</u></u>	<u><u>100.00%</u></u>

Notes:

- (1) Timenew Limited is a company beneficially wholly-owned by Dr. Li Zhong Yuan, a Director.
- (2) Zhongxing Limited is beneficially wholly-owned by Mr. Ho Kin, a substantial shareholder (as defined in the Listing Rules) of the Company.
- (3) These Shares include 1,295,000 Shares held by 2Trade Group Limited, a company beneficially owned as to 35% by Mr. Martin Treffer, an ex-Director resigned on 3 April 2013, and 250,000 Shares held by Mr. Martin Treffer.
- (4) Mr. Zhou Bao Yi, Mr. Mu Xiangming and Mr. Jiang Bo are Directors.
- (5) Dragonrise Capital Advisors Inc. is beneficially wholly-owned by Mr. Yeung Ning.
- (6) Firstsail Investments Limited is beneficially owned as to 50% by Ms. Chan Lee On and 50% by Mr. Shen Yuluo.

GENERAL

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Top-up Subscription Shares. Further announcement will be made by the Company upon completion of the Placing and the Top-up Subscription.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Hong Kong Codes on Takeovers and Mergers and Share Repurchases
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for securities dealings
“Company”	China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Placee(s)”	any independent institutional or other professional investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the terms of the Placing Agreement
“Placing Agent”	Karl-Thomson Securities Company Limited, a licenced corporation to carry on type 1 (dealing in securities) and type 9 (asset management) regulated activities for the purpose of the Securities and Futures Commission of Hong Kong
“Placing Agreement”	the placing agreement dated 21 August 2013 entered into among the Vendors, the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.33 per Placing Share
“Placing Share(s)”	a maximum of 90,000,000 existing Shares, beneficially owned by the Vendors and to be placed pursuant to the Placing Agreement
“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
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Top-up Subscription”	the subscription by the Vendors for the Top-up Subscription Shares pursuant to the terms of the Top-up Subscription Agreement
“Top-up Subscription Agreement”	the agreement dated 21 August 2013 entered into between the Vendors and the Company in relation to the Top-up Subscription

“Top-up Subscription Price”	HK\$0.33 per Top-up Subscription Share
“Top-up Subscription Share(s)”	up to 90,000,000 new Shares or such number of new Shares equivalent to the number of the Placing Shares to be subscribed by the Vendors pursuant to the Top-up Subscription Agreement
“Vendors”	(1) Timenew Limited, a company incorporated in British Virgin Islands and is wholly and beneficially owned by Dr. Li Zhong Yuan, the executive Director; (2) Zhongxing Limited, a company incorporated in British Virgin Islands and is wholly and beneficially owned by Mr. Ho Kin; and (3) Mr. Hou Shu Ming, being the vendors of the Placing Agreement. As at the date of this announcement, the vendors hold an aggregate of 117,162,026 Shares, representing 18.50% of the existing issued share capital of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 21 August 2013

As at the date of this announcement, the Board 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.