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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 23 May 2014 (after trading hours), the Company and the Subscribers, all of them being independent third parties, entered into four separate Subscription Agreements pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Subscription Shares at an issue price of HK\$0.212 per Subscription Share.

The issue price of the Subscription Shares represents (i) a discount of approximately 15.2% to the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 18.8% to the average closing price of HK\$0.261 per Share for the last five trading days immediately prior to and including the Last Trading Day; and (iii) a discount of approximately 19.2% to the average closing price of HK\$0.2625 per Share for the last ten trading days immediately prior to and including the Last Trading Day.

The Subscription Shares represent (i) approximately 7.90% of the existing issued share capital of the Company; and (ii) approximately 7.32% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 22 August 2013.

Completion of the Subscription is conditional upon the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares.

The gross proceeds from the Subscription will be HK\$10.6 million and the net proceeds from the Subscription, after deducting all related expenses of approximately HK\$0.2 million, are estimated to be approximately HK\$10.4 million, which shall be used for general working capital of the Group.

INTRODUCTION

On 23 May 2014 (after trading hours), the Company entered into four separate Subscription Agreements with the Subscribers respectively, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Subscription Shares at an issue price of HK\$0.212 per Subscription Share. The principal terms of the Subscription Agreements are summarized as follows:

THE SUBSCRIPTION AGREEMENTS

Date

23 May 2014

Parties to the Subscription Agreements

Issuer: the Company

Subscribers: Ms. Zhou Chang Fu, Mr. Dai Lou, Ms. Song Shuo and Mr. Lyu Yue Feng

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscribers are independent of each other and the Subscribers are third parties independent of the Company and connected persons of the Company. As at the date hereof, none of the Subscribers has any interest in the Shares or any material business dealing and/or transaction with the Group.

Issue price of the Subscription Shares

The issue price of the Subscription Shares of HK\$0.212 per Subscription Share represents (i) a discount of approximately 15.2% to the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 18.8% to the average closing price of HK\$0.261 per Share for the last five trading days immediately prior to and including the Last Trading Day; and (iii) a discount of approximately 19.2% to the average closing price of HK\$0.2625 per Share for the last ten trading days immediately prior to and including the Last Trading Day.

The issue price of the Subscription Shares was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market price of the Shares. The aggregate subscription price of HK\$10.6 million shall be payable by the Subscribers to the Company in cash upon completion of the Subscription.

Subscription Shares

17,000,000 Subscription Shares, 16,500,000 Subscription Shares, 11,800,000 Subscription Shares and 4,700,000 Subscription Shares will be issued to Ms. Zhou Chang Fu, Mr. Dai Lou, Ms. Song Shuo and Mr. Lyu Yue Feng respectively under the Subscription. The Subscription Shares represent (i) approximately 7.90% of the existing issued share capital of the Company; and (ii) approximately 7.32% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Subscription Shares will rank *pari passu* in all respects with all other Shares in issue and will entitle the holders to all dividends, and other distributions, rights or entitlements the record date for which falls after the date of issue and allotment of the Subscription Shares. The Subscription Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 22 August 2013, under which the maximum number of Shares which may be allotted and issued is 126,657,939 Shares. As at the date of this announcement, the Company has not allotted or issued any Share under the aforementioned general mandate. Application will be made by the Company for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Conditions precedent

Completion of the Subscription is conditional upon the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Subscription Shares and shall take place within three business days after the day on which the conditions precedent of the Subscription having been satisfied or such other date as the parties to the Subscription Agreements may agree. If the abovementioned condition is not satisfied on or before 6 June 2014, or such later date as agreed by the Company and the Subscribers in writing, the Subscription Agreements shall lapse and be terminated. All rights, obligations and liabilities of the parties under the Subscription Agreements shall cease and terminate and none of the parties to the Subscription Agreements shall have any claim against any other in respect of the Subscription save for any antecedent breach of the Subscription Agreements.

Others

Save for the identities of the Subscribers and the number of Shares to be subscribed for under the Subscription Agreements, all other terms of the four Subscription Agreements are identical. The four Subscription Agreements are independent and not inter-conditional to each other.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

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 interim report for the six months ended 30 September 2013, the Group was facing a solvency problem and the financial distress of the Group had adversely impacted its operating activities. The Group has been making every effort to work out a satisfactory solution for improving its financial position and has taken active measures to seek for viable assets and business that can improve the profitability of the Group. The Company is currently in discussions with an independent third party with respect to a possible acquisition of certain interests in companies which are principally engaged in the provision of healthcare services in the PRC. The Directors consider that the Subscription will broaden the capital base of the Company and help alleviating the solvency problem of the Group.

The Directors consider that the terms of the Subscription Agreements, which were arrived at after arm's length negotiations between the Company and the Subscribers, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription will be HK\$10.6 million and the net proceeds from the Subscription, after deducting all related expenses of approximately HK\$0.2 million, are estimated to be approximately HK\$10.4 million, which shall be used for general working capital of the Group. The net issue price per Subscription Share will be approximately HK\$0.208.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fund raising activity for the twelve months immediately preceding the date of this announcement.

Date of announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
8 April 2014	Issue of convertible notes	HK\$224,400,000	Financing the potential acquisitions and general working capital of the Group	The issue has not been completed yet as at the date of this announcement
8 April 2014	Issue of option for subscription of convertible notes	HK\$224,400,000 (maximum)	General working capital and future business development of the Group	The issue has not been completed yet as at the date of this announcement

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company as at the date of this announcement and, for illustrative purposes only, upon completion of the Subscription, assuming there being no other changes in the issued share capital and the shareholding structure of the Company after the date of this announcement.

	As at the date of this announcement		Upon completion of the Subscription	
	Number of Shares	%	Number of Shares	%
Firstsail Investments Limited ^(Note 1)	100,000,000	15.79	100,000,000	14.63
ZhongXing Limited ^(Note 2)	69,422,474	10.96	69,422,474	10.16
Dragonrisecapital Advisors Inc. ^(Note 3)	48,155,474	7.61	48,155,474	7.05
Dr. Li Zhong Yuan ^(Note 4)	24,443,000	3.86	24,443,000	3.58
Mr. Zhou Bao Yi	1,002,000	0.16	1,002,000	0.15
Mr. Mu Xiangming	261,000	0.04	261,000	0.04
Mr. Jiang Bo	261,000	0.04	261,000	0.04
the Subscribers	–	–	50,000,000	7.32
Other public Shareholders	<u>389,744,747</u>	<u>61.54</u>	<u>389,744,747</u>	<u>57.03</u>
	<u><u>633,289,695</u></u>	<u><u>100.00</u></u>	<u><u>683,289,695</u></u>	<u><u>100.00</u></u>

Notes:

- As at the date of this announcement, Firstsail Investments Limited is beneficially owned as at 50% by Ms. Chan Lee On and 50% by Mr. Shen Yuluo.
- As at the date of this announcement, ZhongXing Limited is wholly-owned by Mr. Ho Kin.
- As at the date of this announcement, Dragonrisecapital Advisors Inc. is beneficially wholly-owned by Mr. Yeung Ning.
- These Shares are held by Timenew Limited, which is wholly-owned by Dr. Li Zhong Yuan as at the date of this announcement.

DEFINITIONS

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

“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 main board of 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
“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
“Last Trading Day”	23 May 2014, being the last trading day before the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Subscribers”	Ms. Zhou Chang Fu, Mr. Dai Lou, Ms. Song Shuo and Mr. Lyu Yue Feng
“Subscription”	the subscription of the Subscription Shares by the Subscribers in accordance with the terms and conditions of the Subscription Agreements

“Subscription Agreements”	four subscription agreements dated 23 May 2014 entered into between the Company and the Subscribers respectively in relation to the Subscription
“Subscription Share(s)”	an aggregate of 50,000,000 new Shares to be issued by the Company to the Subscribers upon completion of the Subscription Agreements
“%”	per cent

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

Hong Kong, 23 May 2014

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Jia Hong Sheng (Chairman), Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Chung Ho and Mr. Wang Jingming; and four independent non-executive Directors, namely, Mr. Mu Xiangming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua.

* *for identification purpose only*