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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)

**FRAMEWORK AGREEMENT
IN RELATION TO A POSSIBLE ACQUISITION
TERMINATION OF 2014 FRAMEWORK AGREEMENT
AND
FURTHER EXTENSION OF LONG STOP DATE
IN RELATION TO SUBSCRIPTION OF CONVERTIBLE NOTE**

THE POSSIBLE ACQUISITION

On 30 April 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Company, the Procurers and the Vendors entered into the Framework Agreement in relation to the Possible Acquisition. Pursuant to the Framework Agreement, the Purchaser agreed to acquire, and the Procurers agreed to procure the Vendors to sell, the entire issued share capital of the Target at a total consideration of HK\$1,325 million, of which (i) HK\$125 million by issuance of the Promissory Note I; (ii) HK\$125 million by issuance of the Promissory Note II; (iii) HK\$950 million by issuance of the Convertible Notes; and (iv) HK\$125 million by payment in cash. The Company shall pay to the Procurers an earnest money of HK\$10 million within 15 days from the date of the Framework Agreement.

The Possible Acquisition is subject to the entering into of the Formal Agreement, which is intended to be entered into by the parties to the Framework Agreement on or before the Long Stop Date, and the terms and conditions as set forth therein. If the Formal Agreement is not concluded on or before the Long Stop Date, the Framework Agreement shall lapse and of no effect.

* for identification purposes only

The Board wishes to emphasize that the Possible Acquisition may or may not materialize and is subject to the conclusion of the Formal Agreement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If the Possible Acquisition materializes, it may constitute a notifiable transaction for the Company under the Listing Rules. The Company will make further announcement(s) in respect of the Possible Acquisition in accordance with the Listing Rules as and when appropriate.

TERMINATION OF THE 2014 FRAMEWORK AGREEMENT

Pursuant to the 2014 Framework Agreement, the long stop date for the conclusion of a definitive agreement was extended to 30 April 2015. As there shall be fundamental changes on the terms of the possible acquisition contemplated under the 2014 Framework Agreement, the parties to the 2014 Framework Agreement agreed to terminate the 2014 Framework Agreement on 30 April 2015.

FURTHER EXTENSION OF LONG STOP DATE

As additional time is required for the fulfillment of the April Subscription Conditions, the parties to the April Subscription Agreements entered into the third supplemental agreements to further extend the long stop date for fulfillment of the April Subscription Conditions to 30 June 2015.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

THE POSSIBLE ACQUISITION

The Board is pleased to announce that on 30 April 2015 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Company, the Procurers and the Vendors entered into the Framework Agreement in relation to the Possible Acquisition. The Possible Acquisition is subject to the parties entering into the Formal Agreement, which is intended to be entered into by the parties to the Framework Agreement on or before the Long Stop Date. If the Formal Agreement is not concluded on or before the Long Stop Date, the Framework Agreement shall lapse and of no effect. The major terms of the Framework Agreement are summarized below:

THE FRAMEWORK AGREEMENT

Date

30 April 2015

Parties to the Framework Agreement

- Purchaser: Long Heng Investments Limited, an indirect wholly-owned subsidiary of the Company
- Vendors: Profit City Ventures Limited and Zhao Gang Limited, both of which are investment holding companies incorporated in the British Virgin Islands with limited liability
- Procurers: Star Up Holdings Limited, Profit City Ventures Limited, Zhao Gang Limited and Contemporary International Limited, all of which are investment holding companies incorporated in the British Virgin Islands with limited liability
- Promisor: the Company

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendors, the Procurers and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

Pursuant to the Framework Agreement, the Purchaser agreed to acquire, and the Procurers agreed to procure the Vendors to sell, the entire issued share capital of the Target, which is a limited liability company to be established under the laws of the PRC. The Procurers have undertaken to procure the Reorganization to be completed before the completion of the Possible Acquisition. Upon completion of the Reorganization, the healthcare management service business currently conducted by the beneficial owners of the Vendors and their associates, through three companies established in the PRC, and the relevant management service contracts and/or cooperation agreements of five cancer diagnosis and treatment centres in hospitals located in Beijing, Tianjin, Changchun, Jinan and Nanjing, the PRC will be injected into the Target. As such, the Target Group shall be interested in the healthcare management service business and the relevant management service contracts and/or cooperation agreements of the Centres before completion of the Possible Acquisition.

Consideration

The Consideration shall be HK\$1,325 million, of which (i) HK\$125 million shall be satisfied by issuance of the Promissory Note I; (ii) HK\$125 million by issuance of the Promissory Note II; (iii) HK\$950 million by issuance of the Convertible Notes; and (iv) HK\$125 million by payment in cash. The Consideration is subject to adjustments and the adjustment mechanism is set out in the section headed "Profit guarantee and consideration adjustment" in this announcement.

The Consideration was determined after arm's length negotiations among the parties to the Framework Agreement, having taken into account (i) the profit guarantee provided by the Procurers; (ii) the price-to-earnings ratios of other companies listed in Hong Kong and the United States of America and engaged in business similar to that of the Target Group; and (iii) the growth potential and prospects of the Target Group.

Profit guarantee and consideration adjustment

The Procurers undertake that the Actual Profit shall not be less than the Guaranteed Profit. The Consideration shall be adjusted downward by an amount equivalent to the shortfall between the Actual Profit and the Guaranteed Profit, if any, times a factor of 17.67, being the implied price-to-earnings ratio of the Consideration to the Guaranteed Profit. The amount of consideration adjustment is subject to a maximum amount of HK\$500 million. No upward adjustments will be made on the Consideration even if the Actual Profit exceeds the Guaranteed Profit. The Convertible Notes in aggregate principal amount equivalent to the amount of the consideration adjustment shall be cancelled.

Earnest Money

The Company shall pay to the Procurers an earnest money of HK\$10 million within 15 days from the date of the Framework Agreement, which shall be applied to set off part of the cash consideration of the Possible Acquisition if the Formal Agreement is concluded. In the event that the Formal Agreement is not concluded due to reasons caused by the Procurers or the Vendors, the earnest money shall be refunded to the Company and the Procurers shall pay an additional compensation of HK\$10 million to the Company. In case the Formal Agreement is not concluded due to reasons caused by the Purchaser or the Company, the earnest money shall be forfeited. If the Formal Agreement is not concluded due to reasons caused by other third parties, the earnest money shall be refunded to the Company.

Principal terms of the Convertible Notes

The principal terms of the Convertible Notes are summarized below:

Issuer:	The Company
Principal amount:	HK\$950 million
Issue price:	100% of the principal amount of the Convertible Notes
Interest:	Nil
Maturity date:	The fifth anniversary of the date of issue of the Convertible Notes

Conversion price: The initial conversion price is HK\$0.2, subject to adjustments for events specified in the terms and conditions of the Convertible Notes, including share consolidation, share subdivision, capitalization of profits or reserves, capital distribution, rights issue, open offer and equity or equity derivative issues.

The initial conversion price represents:

- (i) a discount of approximately 48.7% to the closing price of HK\$0.390 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 48.6% to the average closing price of HK\$0.389 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 50.0% to the average closing price of HK\$0.400 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The initial conversion price was arrived at after arm's length negotiations between the parties to the Framework Agreement with reference to the prevailing market price of the Shares during the negotiation period.

Conversion rights: The Convertible Notes carry the rights to convert the whole or part of their principal amount into Conversion Shares at the initial conversion price during the conversion period at the discretion of the holders of the Convertible Notes provided that (i) the holders and parties acting in concert with it, taken together, will not directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or in such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); and (ii) the allotment and issue of the Conversion Shares upon exercise of the conversion right will not cause the Company to be in breach of the minimum public float requirement stipulated under the Listing Rules.

Conversion period: The period commencing on the date of issue of the Convertible Notes and expiring on the maturity date of the Convertible Notes.

Entrusted period:	The period commencing from the date of issue of the Convertible Notes and expiring on the date being one month after the date of issue of the audit report of the Target Group for the year ending 30 June 2017, during which the Convertible Notes in an aggregate principal amount of HK\$500 million will be held in trust by a third party mutually agreed by the Procurers and the Purchaser.
Conversion Shares	<p>The Conversion Shares shall rank <i>pari passu</i> in all respects with the fully paid Shares in issue on the relevant conversion date.</p> <p>Assuming that the Conversion Notes are fully converted into Conversion Shares at the initial conversion price of HK\$0.2, a total of 4,750,000,000 Conversion Shares will be issued, which represent approximately 231.68% of the existing issued share capital of the Company and approximately 69.85% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.</p>
Transferability:	The Convertible Notes shall be freely transferrable after the entrusted period

Conditions precedent of the Possible Acquisition

Completion of the Possible Acquisition shall be conditional upon, *inter alia*, the followings:

- (i) the Shareholders passing at the special general meeting of the Company an ordinary resolution approving the Formal Agreement and the transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes;
- (iii) the Reorganization being completed;
- (iv) the Purchaser being satisfied with the results of the due diligence on the Target Group;
- (v) all necessary consents, license, authorizations and approvals (including but not limited to government agencies, regulatory bodies or any third party) relating to the Possible Acquisition, if any, having been obtained;
- (vi) there being no material adverse changes in the Target Group's assets and business up to the date of the completion of the Possible Acquisition;
- (vii) the deed of indemnity in relation to the Target Group and its assets and business be agreed by the Procurers, the Purchaser and the Company; and

(viii) the escrow agreement in relation to the Convertible Notes being duly signed by the Purchaser, the Company, the Procurers and the escrow agent.

Exclusive right

Pursuant to the Framework Agreement, the Purchaser is given the exclusive right to negotiate with the Procurers and the Vendors for the purchase of their interests in the Target and the subject assets and rights thereof during the term of the Framework Agreement. The Procurers and the Vendors have undertaken that none of them and/or their respective affiliates shall, without the written consent of the Purchaser, directly or indirectly, solicit, participate or conduct any discussion, accept and approve any offer or enter into any agreement, with any third party regarding the sale or transfer of, or any transaction that may result in sale or transfer of, their interests in the Target and/or the subject assets and rights in the Centres during the exclusive negotiation period. The Procurers and the Vendors shall also terminate the relevant negotiations or transactions with any other third party, if any, immediately after entering into the Framework Agreement.

TERMINATION OF THE 2014 FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 30 September 2014, 28 November 2014, 30 January 2015 and 16 March 2015 in relation to the possible acquisition contemplated under the 2014 Framework Agreement.

Pursuant to the 2014 Framework Agreement, the long stop date for the conclusion of a definitive agreement in relation to the possible acquisition was extended to 30 April 2015. As there shall be fundamental changes on the terms of the possible acquisition contemplated under the 2014 Framework Agreement, the parties to the 2014 Framework Agreement agreed to terminate the 2014 Framework Agreement on 30 April 2015.

FURTHER EXTENSION OF LONG STOP DATE

References are made to the announcements of the Company dated 8 April 2014, 30 September 2014, 15 January 2015, 30 January 2015 and 15 April 2015 in relation to, among others, the April Subscription.

Pursuant to the second supplemental agreements to the April Subscription Agreements, the long stop date for fulfillment of the April Subscription Conditions was extended to 30 April 2015. As additional time is required for the fulfillment of the April Subscription Conditions, the parties to the April Subscription Agreements entered into the third supplemental agreements on 30 April 2015 to further extend the long stop date for fulfillment of the April Subscription Conditions to 30 June 2015. Save as disclosed above, all other terms and conditions of the April Subscription Agreements remain unchanged and in full force and effect in all respects.

GENERAL

The Board wishes to emphasize that the Possible Acquisition may or may not materialize and is subject to the conclusion of the Formal Agreement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If the Possible Acquisition materializes, it may constitute a notifiable transaction for the Company under the Listing Rules. The Company will make further announcement(s) in respect of the Possible Acquisition in accordance with the Listing Rules as and when appropriate.

DEFINITIONS

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

“2014 Framework Agreement”	the framework agreement dated 30 September 2014 (and supplemented by the supplemental agreements dated 28 November 2014, 30 January 2015 and 15 March 2015) entered into among the Company, the Purchaser, Corporate Leader Global Limited, Profit City Ventures Limited, Sino Achiever Limited, Sunny Pacific Investments Limited, Pacific Kingdom Limited, Zhao Gang Limited and Ms. Lv Mu Xin in relation to a possible acquisition, details of which are set out in the announcement of the Company dated 30 September 2014
“Actual Profit”	the actual average audited net profit after tax of the Target Group for the two years ending 30 June 2016 and 30 June 2017
“April Subscription”	the subscriptions of convertible notes in aggregate principal amount of HK\$225 million by, and the granting of options for further subscription of convertible notes to be issued by the Company to, Zheng Hua Investment Limited and Pacas Worldwide Limited as announced by the Company on 8 April 2014
“April Subscription Agreements”	the subscription agreements dated 8 April 2014 entered into between the Company and Zheng Hua Investment Limited and Pacas Worldwide Limited respectively in relation to the April Subscription
“April Subscription Conditions”	the conditions precedent to the April Subscription Agreements
“Board”	the board of Directors

“Centres”	five cancer diagnosis and treatment centres in hospitals located in Beijing, Tianjin, Changchun, Jinan and Nanjing, the PRC
“Company”	China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration of HK\$1,325 million for the Possible Acquisition
“Conversion Share(s)”	new Share(s) to be issued by the Company upon conversion of the Convertible Notes
“Convertible Notes”	the convertible notes in the principal amount of HK\$950 million to be issued by the Company to the Procurers or their nominees as partial settlement of the Consideration
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement that may be entered into by the contracting parties to the Framework Agreement in respect of the Possible Acquisition
“Framework Agreement”	the framework agreement dated 30 April 2015 entered into among the Company, the Purchaser, the Vendors and the Procurers in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	the average audited net profit after tax of the Target Group for the two years ending 30 June 2017 guaranteed by the Procurers, being HK\$75 million
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	30 April 2015, being the last trading day before the publication of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	29 June 2015, being sixty days from the date of the Framework Agreement, or such a later date as the parties may mutually agree in writing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note I”	the promissory note in principal amount of HK\$125 million to be issued by the Company to the Procurers or their nominees for partial settlement of the Consideration. The promissory note bears no interest and has a maturity date falling on the last day of the twelfth month from the issue date of the note
“Promissory Note II”	the promissory note in principal amount of HK\$125 million to be issued by the Company to the Procurers or their nominees for partial settlement of the Consideration. The promissory note bears no interest and has a maturity date falling on the last day of the eighteenth month from the issue date of the note
“Possible Acquisition”	the possible acquisition of the entire issued share capital of the Target by the Purchaser from the Vendors
“Procurers”	Star Up Holdings Limited, Profit City Ventures Limited, Zhao Gang Limited and Contemporary International Limited, all of which are companies incorporated in the British Virgin Islands with limited liability
“Purchaser”	Long Heng Investments Limited, a wholly-owned subsidiary of the Company
“Reorganization”	the establishment of the Target Group and the injection of the healthcare management service business and the relevant management service contracts and/or cooperation agreements of the Centres into the Target
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“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
“Target”	a limited liability company to be established under the laws of the PRC
“Target Group”	the Target and its subsidiaries after completion of the Reorganization
“Vendors”	Profit City Ventures Limited and Zhao Gang Limited, the intended shareholders of the Target
“%”	per cent

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

Hong Kong, 30 April 2015

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.