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If you have sold or transferred all your shares in China HealthCare Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution 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)

SUBSCRIPTION OF CONVERTIBLE NOTES

A notice convening a special general meeting of China HealthCare Holdings Limited to be held at 10:00 a.m. on 3 November 2015 (Tuesday) at Room 2014-2015, 20/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong is set out on pages 19 to 21 of this circular. A form of proxy for use by the shareholders at the special general meeting is also enclosed with this circular. Whether or not you intend to attend the special general meeting, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and return the form of proxy to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for 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.

19 October 2015

* for identification purpose only

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DEFINITIONS

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

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| “Announcement” | the Company’s announcement dated 8 April 2014 |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | board of the Directors |
| “Business Day(s)” | any day, other than a Saturday, Sunday, public holiday or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are generally open for business |
| “Company” | China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange |
| “Completion” | completion of the Subscription in accordance with the terms and conditions of the Subscription Agreements |
| “connected person(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Conversion Restriction” | the restriction of not allowing the Noteholders to exercise their right to convert the whole or part of the outstanding principal amount of the Convertible Notes into Conversion Shares if (a) the minimum public float requirement for the Shares as required under the Listing Rules could not be maintained; or (b) the Noteholders whether alone or together with parties acting in concert with them will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company as enlarged by such conversion (or in such other percentage lower than 30% as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer) |
| “Conversion Shares” | the Shares to be allotted and issued by the Company upon an exercise of the conversion right attaching to the Convertible Notes |
| “Convertible Notes” | the convertible notes in aggregate principal amount of HK\$225 million to be issued by the Company to the Subscribers pursuant to the Subscription Agreements |
| “Director(s)” | director(s) of the Company |
| “Group” | the Company and its subsidiaries |

DEFINITIONS

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|----------------------------|--|
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Initial Conversion Price” | HK\$0.15 per Conversion Share, subject to adjustments |
| “Last Trading Day” | 8 April 2014, being the last trading day on which the Shares were traded on the Stock Exchange prior the release of the Announcement |
| “Latest Practicable Date” | 15 October 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 31 December 2015 (or such other date as the parties to the Subscription Agreements may agree in writing) |
| “Noteholder(s)” | the person(s) who is/are for the time being the holder of the Convertible Notes |
| “PRC” | the People’s Republic of China, for the purposes of this circular, excludes Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan |
| “Preference Shares” | 15,000 redeemable convertible cumulative preference shares issued by the Company to certain investors in accordance with the terms and conditions of the subscription agreement dated 5 April 2006 entered into between the Company and the investors. As at the Latest Practicable Date, all the Preference Shares have been redeemed and cancelled |
| “SGM” | the special general meeting of the Company to be convened and held on 3 November 2015 to consider and, if thought fit, approve the Subscription Agreements and the transactions contemplated thereunder |
| “Share(s)” | ordinary share(s) of HK\$0.1 each in the capital of the Company |
| “Shareholders” | holders of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

DEFINITIONS

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|---------------------------|--|
| “Subscribers” | Zheng Hua Investment Limited and Pacas Worldwide Limited, which subscribe for the Convertible Notes pursuant to the Subscription Agreements |
| “Subscription” | the subscription for the Convertible Notes by the Subscribers pursuant to the terms of the Subscription Agreements |
| “Subscription Agreements” | the subscription agreements dated 8 April 2014 (as supplemented and amended by the supplemental agreements dated 30 September 2014, 30 January 2015, 30 April 2015, 30 June 2015, 28 August 2015, 18 September 2015 and 13 October 2015) entered into between the Company and each of the Subscribers respectively in relation to the Subscription |
| “Takeovers Code” | the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong |

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

Mr. Wang Jingming

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent Non-Executive Directors:

Mr. Mu Xiangming,

Mr. Jiang Bo

Dr. Yan Shi Yun

Mr. Zhao Hua

Principal place of business:

Unit 801, 8/F

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

19 October 2015

To the Shareholders

Dear Sirs,

SUBSCRIPTION OF CONVERTIBLE NOTES

INTRODUCTION

On 8 April 2014 (after trading hours), the Company and the Subscribers entered into the Subscription Agreements, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK\$225 million.

The Subscription is subject to the approval by the Shareholders, by way of poll, at the SGM. The purpose of this circular is to provide you with further details of the Subscription and a notice convening the SGM.

* for identification purpose only

LETTER FROM THE BOARD

THE SUBSCRIPTION

The Subscription Agreements

Date

8 April 2014

Parties

Issuer: the Company

Subscribers: Zheng Hua Investment Limited, an investment holding company incorporated under the laws of the British Virgin Islands with limited liability and wholly-owned by Mr. Wang Hai Tao as at the date of the Subscription Agreement. The Company was informed by Zheng Hua Investment Limited on 20 August 2015 that its shareholder has been changed to 上海盈貿投資管理合夥企業(有限合夥) (Shanghai Ying Mao Investment Management Partnership (Limited Partnership) *), whose partners are 深圳市思道科投資有限公司 (Shenzhen Si Dao Ke Investment Limited*), which is controlled by Ping An Insurance (Group) Company of China, Ltd., and 平安信託有限責任公司 (Ping An Trust Co., Ltd.*), a subsidiary of Ping An Insurance (Group) Company of China, Ltd., with effect from 20 August 2015. Zheng Hua Investment Limited's investments mainly focus on healthcare industry in the PRC; and

Pacas Worldwide Limited, an investment holding company incorporated under the laws of the British Virgin Islands with limited liability and wholly-owned by Mr. Li Xuguang, an investor with investment focus on healthcare industry in the PRC such as basic healthcare, home-care for elderly and anti-aging solutions.

The Subscribers were introduced to the Company by a securities firm in the PRC in January 2014. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) there are no relationships between the Subscribers and their respective ultimate beneficial owners and they are independent of each other; (ii) there are no prior business or other relationships between the Subscribers and the Company and its connected persons and the Subscribers and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company; (iii) none of the Subscription by the Subscribers is financed, directly or indirectly, by another Subscriber or any connected person of the Company; and (iv) none of the Subscribers is accustomed to take instruction from another Subscriber or any connected person of the Company.

LETTER FROM THE BOARD

Subject Matter

Pursuant to the Subscription Agreements, the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, the Convertible Notes.

Subscription Price

Zheng Hua Investment Limited and Pacas Worldwide Limited conditionally agreed to subscribe for the Convertible Notes in principal amount of HK\$195 million and HK\$30 million respectively, at the issue price equivalent to 100% of the principal amount of the Convertible Notes, which shall be satisfied in cash by the Subscribers upon Completion.

Conditions precedent to the Subscription

Completion is conditional upon, inter alia, the following conditions being fulfilled (or waived by the relevant party in writing):

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares;
- (b) the passing by the Shareholders at the SGM the ordinary resolutions approving the Subscription Agreements and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares;
- (c) the passing by the directors of the Subscribers of a resolution approving the Subscription Agreements and the transactions contemplated thereunder, including but not limited to the Subscription of the Convertible Notes;
- (d) the warranties provided by the Company in the Subscription Agreements remaining true and accurate and not misleading in all respects as at the date of Completion; and
- (e) the warranties provided by the Subscribers in the Subscription Agreements remaining true and accurate and not misleading in all respects as at the date of Completion.

Completion shall take place simultaneously with the fulfillment (or otherwise waived) of the last of the conditions precedent or such other date as may be agreed between the parties.

As at the Latest Practicable Date, condition (c) to the Completion has been fulfilled.

If any of the conditions specified from above is not fulfilled (or waived by the relevant party in writing, which waiver if granted may be subject to such conditions as such party deems fit) on or before the Long Stop Date or such other date as the Company and the Subscribers shall mutually agree, the Subscription Agreements shall forthwith become null and void and cease to have any effect whatsoever and neither party shall have any claim against the other for costs, damages, compensations or otherwise (save for liabilities for any antecedent breach of the Subscription Agreements).

LETTER FROM THE BOARD

Termination

If at any time on or prior to the Completion:

- (a) the Company commits any material breach of any warranty provided by the Company under the Subscription Agreements or omits to perform or observe any of its other obligations or undertakings expressed to be assumed by it under the Subscription Agreements in any material aspect; or
- (b) the Subscribers commit any material breach of any warranty provided by the Subscribers under the Subscription Agreements or omit to perform or observe any of their other obligations or undertakings expressed to be assumed by them under the Subscription Agreements in any material aspect; or
- (c) an Event of Default (as defined in the paragraph headed “Principal terms of the Convertible Notes” herein) or a prospective Event of Default has occurred and has not been remedied to the satisfaction of the other party on or prior to the Completion,

then, in any such case, the aforesaid other party may on or before the date of Completion in its absolute discretion without any liability on its part, by notice in writing terminate the Subscription Agreements. If the Subscription Agreements are terminated, the parties to the Subscription Agreements shall be released and discharged from their respective obligations (without prejudice to the rights and/or obligations of any party in respect of any antecedent breach), subject to the terms of the Subscription Agreements.

Principal Terms of the Convertible Notes

| | |
|--------------------------|--|
| Issuer: | the Company |
| Principal amount: | HK\$225 million |
| Issue price: | 100% of the principal amount of the Convertible Notes |
| Interest rate: | Nil |
| Maturity date: | the date falling on the third anniversary of the date of issue of the Convertibles Notes |

LETTER FROM THE BOARD

Conversion right:

the Noteholders shall have the right to convert the whole or part of the outstanding principal amount of the Convertible Notes into Conversion Shares at the Initial Conversion Price (subject to adjustments) at any time and from time to time during the conversion period. Notwithstanding the above, the Noteholders shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Notes into Conversion Shares to the extent that if immediately after such conversion (a) the minimum public float requirement for the Shares as required under the Listing Rules could not be maintained; or (b) the Noteholders whether alone or together with parties acting in concert with them will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company as enlarged by such conversion (or in such other percentage lower than 30% as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer).

Conversion Period:

the period commencing from the issue date of the Convertible Notes and ending on the maturity date of the Convertible Notes.

Conversion Price:

the Initial Conversion Price is HK\$0.15 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Notes. The Initial Conversion Price represents: (i) a discount of approximately 44.4% to the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 43.4% to the average closing price of HK\$0.265 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; (iii) a discount of approximately 40.0% to the average closing price of HK\$0.250 per Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Last Trading Day; and (iv) a discount of approximately 44.4% to the closing price of HK\$0.270 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Conversion Price was determined after arm's length negotiations between the Company and the Subscribers, taking into account (i) the prevailing market price of the Shares during the time of negotiation of the Subscription Agreements; (ii) the net liabilities attributable to owners of the Company of approximately HK\$84.0 million as at 30 September 2013; (iii) the financial distress facing by the Group at the time of negotiation of the Subscription Agreements and the possible consequences of failing to obtain the necessary funding for normal operation of the Group and repayment of liabilities in the near future; (iv) other favorable terms of the Convertible Notes such as zero interest rate and mandatory conversion of the Convertible Notes on the maturity date; and (v) absence of any offer with better terms available to the Company at the time of negotiation of the Subscription Agreements.

Based on the above and having considered that, (i) the Group recorded continuous losses in the past five years except for the financial year ended 31 March 2013 in which profit was recorded due to the extinguishment of liability component, and fair value gain on derivative component, of the Preference Shares, which were non-operational and non-recurring in nature; (ii) the financial position of the Group was poor for the past few years as evidenced by the record of net liabilities for the Group since the year ended 31 March 2010 and such condition was improved only after the completion of fund raising activities conducted in late 2014 and early 2015; (iii) the liquidity of the Shares is relatively low; (iv) the Group has the practical needs of funding for working capital purposes and fulfillment of business development commitments; (v) the size of the funding to be raised from the Subscription is relatively large as compared to the market capitalization of the Company; (vi) the great fluctuation in the trading price of the Shares in the past 12 months; and (vii) the recent volatility of the Hong Kong stock market, the Directors are of the opinion that the Initial Conversion Price is fair and reasonable so far as the Shareholders are concerned although it is lower than the closing price of the Shares as at the Latest Practicable Date.

Events leading to adjustment to the conversion price:

the events leading to adjustment to the conversion price of the Convertible Notes include the followings:

- (i) an alteration of the nominal amount of the Shares by reasons of share consolidation or subdivision;

LETTER FROM THE BOARD

- (ii) an issue by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution made by the Company to the Shareholders (whether on a reduction of capital or otherwise) or a grant by the Company to the Shareholders of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (iv) an offer by the Company to the Shareholders of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares to the Shareholders at a price which is less than 80% of the market price at the date of the announcement of the terms of the offer or grant;
- (v) (a) an issue by the Company wholly for cash of any securities which by their terms are convertible into or exchange for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 80% of the market price at the date of the announcement of the terms of issue of such securities; and (b) any modification of the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (a) above so that the total effective consideration per Share initially receivable for such securities shall be less than 80% of the market price at the date of announcement of the proposal for modification;
- (vi) an issue by the Company of any Share wholly for cash at a price per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue;
- (vii) an issue by the Company of any Share for the acquisition of asset at a total effective consideration per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue; and
- (viii) any other event that the Company reasonably determines that an adjustment should be made to the Conversion Price with the confirmation from its auditors for the time being, or an approved merchant bank, that the adjustment is appropriate. As at the Latest Practicable Date, the Directors did not expect that there are events other than those mentioned in (i) to (vii) above that may lead to adjustments to the conversion price of the Convertible Notes.

LETTER FROM THE BOARD

Conversion Shares:

The Conversion Shares shall rank pari passu in all respects with the fully paid Shares in issue on the relevant conversion date and shall entitle the holders to participate in full in all dividend or other distribution paid or made on the Shares after the relevant conversion date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant conversion date.

The Conversion Shares converted under 30% of the principal amount of the Convertible Notes and 70% of the principal amount of the Convertible Notes are subject to a lock-up period of six months and twelve months respectively, during which the Conversion Shares converted thereunder shall be legally and beneficially held by the Subscribers and the Subscribers shall not transfer any interest in respect thereof to any other party unless with the prior written consent of the Company.

Assuming that the Convertible Notes are fully converted into Conversion Shares at the Initial Conversion Price, a total of 1,500,000,000 Conversion Shares will be allotted and issued to the Noteholders, which represent approximately 70.8% of the issued share capital of the Company as at the Latest Practicable Date and approximately 41.4% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise of the Convertible Notes.

The Conversion Shares will be issued under a specific mandate, which will be sought at the SGM. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

LETTER FROM THE BOARD

Mandatory conversion:

the Company has the right to mandatorily convert the outstanding principal amount of the Convertible Notes into Conversion Shares at the Initial Conversion Price (subject to adjustments) on the maturity date of the Convertible Notes and the Conversion Shares will be issued and allotted to the Noteholders subject to the Conversion Restriction. Irrespective of the maturity date of the Convertible Notes, if there is any principal amount remains outstanding after the mandatory conversion, the Company has the right to mandatorily convert from time to time all and any part of the outstanding principal of the Convertible Notes into Conversion Shares until there is no principal moneys outstanding subject always to the Conversion Restriction. For avoidance of doubt, there are no time limits for mandatory conversion and no requests for repayment of any part of the principal moneys outstanding under the Convertible Notes can be made by the Noteholders to the Company unless there is any occurrence of Events of Default.

Transferability:

30% of the Convertible Notes and 70% of the Convertible Notes are subject to a lock-up period of six months and twelve months, commencing from the date of issue of the Convertible Notes, respectively. The Convertible Notes may be assigned or transferred in whole or in part to any third party, save for party or parties connected with or acting in concert with any of the Directors, chief executives or substantial Shareholders of the Company, any of its subsidiaries or any of their respective associates, at any time after the abovementioned lock-up period.

Voting:

the Noteholders shall not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of them being the Noteholders.

Events of Default:

the Noteholders may give notice to the Company that the Convertible Notes are, and they shall on the giving of such notice immediately become, due and payable at their principal amount and all other sums payable under the Convertible Notes if:

- (i) the Company fails to pay any principal amount in respect of the Convertible Notes when due unless non-payment of such amount is due to administrative or technical error and payment is made within 3 Business Days of the due date thereof; or
- (ii) the Company defaults in the performance or observance of or compliance with any of its other obligations set out in the instrument constituting the Convertible Notes which default

LETTER FROM THE BOARD

is incapable of remedy or, if capable of remedy, is not remedied within 14 days after notice of the occurrence of such default by the Noteholders; or

- (iii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries (and, where any such appointment is made in relation to a major subsidiary, the appointment is not discharged within 14 days of it being made); or
- (iv) the Company or any of its major subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its major subsidiaries (and, where any such appointment is made in relation to a major subsidiary, the appointment is not discharged or withdrawn within 14 days of it being made) or takes any proceeding under any law for a readjustment or deferment of its respective obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its respective creditors; or
- (v) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or any of its major subsidiaries (and where any such petition, proceeding or order is presented, commenced or made in relation to a major subsidiary, such petition, proceeding or order is not set aside or withdrawn within 14 days of it being filed, commenced or made), except in the case of winding-up of any subsidiary of the Company in the course of internal reorganization without involving insolvency; or
- (vi) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its major subsidiaries (and, in the case of a major subsidiary, is not lifted within 14 days of it being agreed or declared) or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its major subsidiaries; or

LETTER FROM THE BOARD

(vii) the Shares (as a class) cease to be listed on the Stock Exchange.

Listing: application will not be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange.

Reasons for the Issue of the Convertible Notes and Use of Proceeds

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

As disclosed in the Company's interim report for the year ended 31 March 2014, 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.

In end of 2013 and early 2014, the Company approached several potential investors and investment banks to seek for fund raising opportunities. However, no positive responses were received from the potential investors and investment banks, except the Subscribers which were introduced to the Company by a securities firm in the PRC. The Subscribers are investment companies focusing on investment in the healthcare industry in the PRC and believe that the Group is well positioned to capture the growth of the healthcare industry in the PRC. The Directors consider that the Subscription will provide strong capital support for alleviating the solvency problem of the Group and provide additional funding for financing the potential acquisition activities and future business development of the Group.

Apart from the Subscription, the Company has also considered other fund raising alternatives such as bank borrowing, rights issue or open offer. However, given that (i) bank borrowing will inevitably incur additional interest expenses and have negative impact on the financial position of the Group; (ii) rights issue and open offer shall take considerable time to complete as compared to the Subscription and usually involve the engagement of underwriter which will incur additional costs to the Company; and (iii) most importantly, there were no positive responses from potential underwriters for underwriting of a rights issue and/or open offer of the Company, the Directors consider that the Subscription is a relatively less time-consuming, cost-effective and practicable way to raise fund for the Company and 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 given the financial condition of the Group at the time of entering into the Subscription Agreements.

In order to promote business transformation, the Group took proactive measures to build a professional team in respect of hospital management. The Company established a wholly-owned subsidiary, namely 北京中衛康虹醫院管理有限公司 (Beijing Zhong Wei Kang Hong Hospital Management Limited*), in Beijing as the Group's flagship in healthcare management services to provide management and operation services for healthcare institutions in the PRC and extensively recruited business professionals, so as to reinforce its management team and get prepared for the development of the healthcare operation and management business.

LETTER FROM THE BOARD

On 18 August 2014, the Company entered into a cooperative agreement with Tianjin Catholic Patriotic Association and Yi Shi Catholic Social Service Centre of Tianjin Diocese in respect of the cooperation for establishment and operation of hospitals in Tianjin, the PRC. The parties are in the process of establishing a for-profit grade-three general hospital in Tianjin (the “Tianjin Hospital”), its name of 天津聖佑醫院有限公司 (Tianjin Sheng You Hospital Limited*) has been approved by 天津市市場和質量監督管理委員會 (Tianjin Market and Quality Supervision and Administration Commission*). The Tianjin Hospital shall be owned as to 10% by Beijing Zhong Wei Kang Hong Hospital Management Limited, 10% by Tianjin Catholic Patriotic Association and 80% by 天津益瑞康科技發展有限公司 (Tianjin Yi Rui Kang Technology Development Limited*). The Group is responsible for, among others, raising funds for the construction and operation of the Tianjin Hospital. The reconstruction design plan of the Tianjin Hospital has been submitted to the relevant government authority for approval. The construction work is expected to be completed in the last quarter of 2016 and the Tianjin Hospital is expected to be operational in 2017.

On 30 April 2015, a wholly-owned subsidiary of the Company entered into a framework agreement to acquire the entire issued share capital of a limited liability company to be established under the laws of the PRC, which shall be interested in the healthcare management service business and the relevant management service contracts and/or cooperation agreements of five cancer diagnosis and treatment centers located in Beijing, Tianjin, Changchun, Jinan and Nanjing, the PRC after reorganization to be completed before completion of the acquisition by the Group (the “Possible Acquisition”), at a total consideration of HK\$1,325 million, of which (i) HK\$250 million shall be satisfied by issuance of promissory notes; (ii) HK\$950 million shall be satisfied by issuance of convertible notes; and (iii) HK\$125 million shall be satisfied by payment in cash. As at the Latest Practicable Date, no definitive agreements in relation to the Possible Acquisition had been entered into by the parties to the framework agreement.

On 23 July 2015, the Company, Beijing Zhong Wei Kang Hong Hospital Management Limited and 承德市雙灤區人民政府 (the People’s Government of Shuangluan District, Chengde City*) entered into an agreement (the “Chengde Agreement”), pursuant to which the People’s Government of Shuangluan District, Chengde City has agreed to grant an operating right to the Company for the management and operation of 承德市雙灤區人民醫院 (承德市精神病醫院) (Shuangluan District, Chengde City Hospital (Chengde City Psychiatric Hospital)*) by Beijing Zhong Wei Kang Hong Hospital Management Limited for a period of 30 years, commencing from 1 August 2015. Meanwhile, the Company has agreed to provide a loan in an aggregate principal amount of RMB50 million (equivalent to approximately HK\$62.5 million) to the hospital for the purposes of setting up the information technology system, purchasing equipments and settling the construction fee of the hospital.

On 20 September 2015, the Company entered into an agreement with Tianjin Catholic Patriotic Association and Tianjin Yi Rui Kang Technology Development Limited, being the proposed shareholders of the Tianjin Hospital, to acquire the 20-year operating and management rights of the Tianjin Hospital, under which the Group shall be entitled to receive a management fee from the Tianjin Hospital based on the annual revenue of the Tianjin Hospital, in consideration of providing interest-bearing loans with an aggregate principal amount of RMB100 million (equivalent to approximately HK\$125 million) to the Tianjin Hospital to finance its reconstruction and operation. The Group is also actively exploring other investment opportunities in the healthcare service industry in the PRC. The Group is currently in preliminary discussion with an independent third party for the possible acquisition of five grade-one hospitals in Tianjin, the PRC.

LETTER FROM THE BOARD

It is anticipated that the total investment amount in these five hospitals shall be in the range of HK\$140 million and HK\$200 million. However, as at the Latest Practicable Date, the Company had not reached any binding agreement relating to any investment opportunity yet.

To alleviate its solvency problem and raise fund for the new business development, the Company has conducted several fund raising exercises, in addition to the Subscription, during the year ended 31 March 2015 and successfully raised HK\$195.0 million by issuance of convertible notes. As at 31 March 2015, the Group had cash and bank balances of approximately HK\$96.6 million. In April 2015, the Company raised another HK\$38.1 million by placement of new Shares. Subsequent to 31 March 2015, approximately HK\$101.5 million had been used for settlement of the outstanding principal amount of the Preference Shares and interest accrued thereon as well as the outstanding principal and interest of the convertible bonds and the principal amount of the promissory note, HK\$10 million had been paid as earnest money in relation to the Possible Acquisition and approximately HK\$18.4 million had been provided to the hospital managed by the Group in accordance with the Chengde Agreement.

In view of the Group's current financial position, its investment commitment and future development plan, the Directors intend to use the estimated net proceeds from the Subscription (after deducting all related expenses) of approximately HK\$224.4 million as to (i) approximately HK\$43.8 million for the provision of loans to the hospital in accordance with the Chengde Agreement; (ii) approximately HK\$125.0 million for the provision of loans to the Tianjin Hospital; (iii) approximately HK\$25.0 million for general working capital of the Group, including expenses for business promotion and marketing, office rental, salaries and other selling and distribution and administrative expenses for the coming 12 months; and (iv) approximately HK\$30.6 million for the possible acquisition of five grade-one hospitals in Tianjin, the PRC. After deducting the expenses relating to the Subscription, the net conversion price for each Conversion Share is about HK\$0.150.

It is expected that the net proceeds from the Subscription can satisfy the Company's expected funding needs for the next twelve months based on the latest financial position of the Group.

LETTER FROM THE BOARD

Shareholding Structure

Set out below is a summary of the shareholding in the Company as at the Latest Practicable Date and, for illustrative purpose only, (i) upon full conversion of the Convertible Notes; and (ii) upon conversion of the Convertible Notes to the largest extent, subject to the Conversion Restriction, each prepared on the assumption that there would be no changes in the issued share capital of the Company after the Latest Practicable Date other than as stated in each scenario.

| | As at the date of the Latest Practicable Date | | Upon full conversion of the Convertible Notes ^(Note 4) | | Upon conversion of the Convertible Notes to the largest extent, subject to the Conversion Restriction | |
|--|---|---------------|---|---------------|---|---------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| | | | | | | |
| Dr. Li Zhong Yuan ^(Note 1 & 2) | 18,779,000 | 0.89 | 18,779,000 | 0.52 | 18,779,000 | 0.57 |
| Mr. Zhou Bao Yi ^(Note 1) | 1,002,000 | 0.05 | 1,002,000 | 0.03 | 1,002,000 | 0.03 |
| Mr. Mu Xiang Ming ^(Note 1) | 261,000 | 0.01 | 261,000 | 0.01 | 261,000 | 0.01 |
| Mr. Jiang Bo ^(Note 1) | 261,000 | 0.01 | 261,000 | 0.01 | 261,000 | 0.01 |
| Speedy Brilliant Investments Limited ^(Note 3) | 276,510,000 | 13.04 | 276,510,000 | 7.64 | 276,510,000 | 8.34 |
| Mr. Ying Wei | 272,000,000 | 12.83 | 272,000,000 | 7.51 | 272,000,000 | 8.21 |
| Zheng Hua Investment Limited | – | – | 1,300,000,000 | 35.91 | 993,789,881 | 29.99 |
| Pacas Worldwide Limited | – | – | 200,000,000 | 5.52 | 200,000,000 | 6.04 |
| Other public Shareholders | <u>1,551,134,634</u> | <u>73.17</u> | <u>1,551,134,634</u> | <u>42.85</u> | <u>1,551,134,634</u> | <u>46.80</u> |
| Total | <u>2,119,947,634</u> | <u>100.00</u> | <u>3,619,947,634</u> | <u>100.00</u> | <u>3,313,737,515</u> | <u>100.00</u> |

Notes:

- They are Directors.
- As at the Latest Practicable Date, these Shares were held by Timenew Limited, which was wholly-owned by Dr. Li Zhong Yuan.
- As at the Latest Practicable Date, Speedy Brilliant Investments Limited was beneficially wholly-owned by Mr. Zhou Disun.
- This scenario is shown for illustrative purpose only and will not exist in reality as the conversion rights attaching to the Convertible Notes are subject to the Conversion Restriction at all times.

Fund Raising Exercise in the Past Twelve Months

The Company has not conducted any fund raising activities in the past 12 months before the date of the Subscription Agreements.

LETTER FROM THE BOARD

SGM

The SGM will be convened by the Company at 10:00 a.m. on 3 November 2015 (Tuesday) at Room 2014-2015, 20/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong for the purposes of considering and, if thought fit, approving the Subscription Agreements and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Notes and the issue and allotment of the Conversion Shares, by the way of poll.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has direct or indirect material interest in the Subscription Agreements and accordingly, no Shareholders are required to abstain from voting on the resolutions at the SGM.

The notice of SGM is set out on pages 19 to 21 of this circular. A form of proxy for use at the SGM is also enclosed herewith. Whether or not you intend to attend the SGM, you are advised to read the notice and complete the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and return the form of proxy to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for 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 if you so wish.

RECOMMENDATION

The Board considers that the terms of the Subscription Agreements are fair and reasonable and the entering into of the Subscription Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of the ordinary resolutions to approve the Subscription Agreements and the transactions contemplated thereunder.

RESPONSIBILITY STATEMENT

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

Yours faithfully,
By order of the Board
China HealthCare Holdings Limited
Zhou Bao Yi
Executive 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 (the “Meeting”) of China HealthCare Holdings Limited (the “Company”) will be held at 10:00 a.m., on 3 November 2015 (Tuesday), at Room 2014-2015, 20/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong, for the purposes of considering and, if thought fit, passing with or without modifications, the following ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the subscription agreement dated 8 April 2014 and the supplemental agreements dated 30 September 2014, 30 January 2015, 30 April 2015, 30 June 2015, 28 August 2015, 18 September 2015 and 13 October 2015 (a copy of which marked “A” have been produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification) entered into between the Company and Zheng Hua Investment Limited in relation to the subscription by Zheng Hua Investment Limited of convertible notes in principal amount of HK\$195 million to be issued by the Company, details of which are set out in the circular of the Company to the shareholders dated 19 October 2015 (the “Circular”), and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the Conversion Shares (as defined below), the allotment and issue of new shares upon the exercise of the conversion right attaching to the convertible notes (the “Conversion Shares”) in the share capital of the Company be and is hereby approved, and the directors of the Company (the “Directors”) be and are hereby granted a specific mandate to allot and issue the Conversion Shares pursuant to and in accordance with the terms and conditions of the instrument constituting the convertible notes; and
- (c) the Directors be and are hereby authorized to do all such acts and things and execute such further documents and take all steps which, in their opinion may be necessary, desirable or expedient to implement and give effect to the terms of, and all transactions

* *for identification purpose only*

NOTICE OF SGM

contemplated under, the aforementioned subscription agreement and supplemental agreements for and on behalf of the Company and to approve any change and amendment thereto as they may consider necessary, desirable or expedient.”

2. “**THAT:**

- (a) the subscription agreement dated 8 April 2014 and the supplemental agreements dated 30 September 2014, 30 January 2015, 30 April 2015, 30 June 2015, 28 August 2015, 18 September 2015 and 13 October 2015 (a copy of which marked “B” have been produced to the Meeting and signed by the Chairman of the Meeting for the purpose of identification) entered into between the Company and Pacas Worldwide Limited in relation to the subscription by Pacas Worldwide Limited of convertible notes in principal amount of HK\$30 million to be issued by the Company, details of which are set out in the Circular, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the Conversion Shares, the allotment and issue of the Conversion Shares be and is hereby approved, and the Directors be and are hereby granted a specific mandate to allot and issue the Conversion Shares pursuant to and in accordance with the terms and conditions of the instrument constituting the convertible notes; and
- (c) the Directors be and are hereby authorized to do all such acts and things and execute such further documents and take all steps which, in their opinion may be necessary, desirable or expedient to implement and give effect to the terms of, and all transactions contemplated under, the aforementioned subscription agreement and supplemental agreements for and on behalf of the Company and to approve any change and amendment thereto as they may consider necessary, desirable or expedient.”

Yours faithfully,

By order of the Board

China HealthCare Holdings Limited

Zhou Bao Yi

Executive Director

Hong Kong, 19 October 2015

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:

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

NOTICE OF SGM

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf.
2. A form of proxy for use in connection with the Meeting is enclosed with this circular. To be valid, the form of proxy, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
3. Completion and delivery of the form of proxy will not preclude any member of the Company from attending and voting in person at the Meeting or any adjournment thereof should such member so wishes, and in such event, the instrument appointing a proxy shall be deemed revoked.
4. In case of joint shareholding, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
5. As at the date of this notice, 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*