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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)

COMPLETION OF SUBSCRIPTION OF PREFERENCE SHARES AND VERY SUBSTANTIAL ACQUISITION AND UNUSUAL PRICE MOVEMENT

Reference is made to the Company's announcement dated 28 April 2006 and the Company's Circular dated 16 June 2006 in respect to the Subscription of Redeemable Convertible Cumulative Preference Shares, Very Substantial Acquisition and Amendments to the By-laws. The directors of the Company are pleased to announce that:

- (1) Pursuant to the Subscription Agreement, the subscription of Preference Shares of aggregate amount of US\$15,000,000 by the Subscribers has been completed on 28 July 2006. The Company has issued 15,000 Preference Shares to the Subscribers and received the proceeds of US\$14,875,000 from the Subscribers.
- (2) Pursuant to the Sale and Purchase Agreement, the acquisition of the 70% of the existing issued share capital of Shanghai Harvest Network Technology Co. Ltd. has been completed on 7 August 2006. The Company has issued the Convertible Notes of HK\$18.4 million to the Vendor.
- (3) Up to the date of this announcement, no conversion of the Preference Share has occurred.
- (4) Up to the date of this announcement, no conversion of the Convertible Notes has occurred.

The Board has noted the recent decrease in the price of shares of the Company and wishes to state that they are not aware of any reasons for such movement, save as disclosed in this announcement.

Reference is made to the Company's announcement dated 28 April 2006 and the Company's Circular dated 16 June 2006 in respect to the Subscription of Redeemable Convertible Cumulative Preference Shares, Very Substantial Acquisition and Amendments to the By-laws. The directors of the Company are pleased to announce that:

- (1) Pursuant to the Subscription Agreement, the subscription of Preference Shares of aggregate amount of US\$15,000,000 by the Subscribers has been completed on 28 July 2006. The ordinary resolution in relation to the subscription of Preference Shares of up to an aggregate amount of US\$15,000,000 by the Subscribers, including the allotment and issue of the Preference Shares pursuant to the terms of the Subscription Agreement and any Shares which may fall to be issued upon the exercise of the conversion rights attaching to the Preference Shares, have been passed by the Shareholders at the SGM on 10 July 2006. The Company has issued 15,000 Preference Shares to the Subscribers and received the proceeds of US\$14,875,000 from the Subscribers.
- (2) Pursuant to the Sale and Purchase Agreement, the acquisition of the 70% of the existing issued share capital of Shanghai Harvest Network Technology Co. Ltd. has been completed on 7 August 2006. The ordinary resolutions in relation to the acquisition of the 70% of the existing issued share capital of Shanghai Harvest Network Technology Co. Ltd. at a total consideration of HK\$36.4 million, including the issue of the Convertible Notes in accordance with the terms and conditions of the Sale and Purchase Agreement and any Shares which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Notes, have been passed by the Shareholders at the SGM on 10 July 2006. Up to the date of this announcement, all the conditions stipulated in the Sale and Purchase Agreement regarding the issuance of the Convertible Notes have been fulfilled. The Company has paid HK\$18 million in cash and HK\$18.4 million by the issuance of the Convertible Notes of HK\$18.4 million to the Vendors.
- (3) Upon full conversion of the Preference Shares at the Initial Conversion Price of HK\$1.16 each, the Company will issue 100,344,827 Conversion Shares, representing (a) approximately 42.80% of the Company's total issued share capital; (b) approximately 29.98% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares; and (c) approximately 28.62% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares and the CN Conversion Shares upon full conversion of the Convertible Notes at the CN Initial Conversion Price. Up to the date of this announcement, no conversion of the Preference Share has occurred.
- (4) Upon full conversion of the Convertible Notes at the CN Initial Conversion Price of HK\$1.16 each, the Company will issue 15,862,068 CN Conversion Shares, representing (a) approximately 6.77% of the total issued share capital of the Company; (b) approximately 6.34% of the issued share capital Company as enlarged by the issue of the CN Conversion Shares.; and (c) approximately 4.52% of the issued share capital Company as enlarged by the issue of the CN Conversion Shares and the Conversion Shares upon full conversion of the Preference Shares at the initial Conversion Price. Up to the date of this announcement, no conversion of the Convertible Notes has occurred.

The Board has noted the recent decrease in the price of shares of the Company and wishes to state that they are not aware of any reasons for such movement, save as disclosed in this announcement.

We also confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09, which is or may be of a price-sensitive nature.

By Order of the Board
Dr. Aimin Ni
Director

Hong Kong, 7 August 2006

As at the date of this announcement, the Executive Directors of the Company are Dr. Li Zhong Yuan, Mr. Lee Jong Dae, Dr. Ni Aimin, Mr. Deng Ku Hon, the Non-executive Directors of the Company are Mr. Robin Willi and Mr. Martin Treffer, and the Independent Non-executive Directors of the Company are Dr. Ma Yin Ming, Mr. Li Xiao Ru and Mr. Mu Xiangming.

** for identification purpose only*

Please also refer to the published version of this announcement in The Standard.