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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)

DISCLOSEABLE TRANSACTION – DISPOSAL OF POWER ABILITY LIMITED AND RESUMPTION OF TRADING

On 31 January 2008, the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, a third party independent of the Company and its connected persons, to dispose of its 51% equity interest in Power Ability for a total cash consideration of US\$2.0 million (equivalent to approximately HK\$15.6 million).

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details of the Disposal will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 1 February 2008, pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 4 February 2008.

The Board is pleased to announce that the Vendor, a wholly-owned subsidiary of the Company, has entered into the Agreement with the Purchaser to dispose of its 51% equity interest in Power Ability. Details of the Disposal are set out as follows:

THE AGREEMENT

Date:

31 January 2008

* *For identification purpose only*

Parties:

Vendor: the Vendor, a wholly-owned subsidiary of the Company, which holds 51% of the total issued share capital of Power Ability as at the date hereof.

Purchaser: the Purchaser, a private company incorporated in the Cayman Islands with principal business activity of investment holding.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

ASSETS TO BE DISPOSED OF

The assets subject to be disposed of by the Group are the Sale Shares, representing 51% of the total issued share capital of Power Ability. Power Ability is an investment holding company and its subsidiaries are principally engaged in the production and trading of biotechnology products. As of the date of this announcement, Power Ability is owned as to 51% by the Vendor and 49% by a third party independent of the Company and its connected persons (as defined under the Listing Rules).

Set out below are the summary of the unaudited consolidated financial information of Power Ability for the two years ended 31 March 2007:

	For the year ended 31 March	
	2007	2006
	(Unaudited)	(Unaudited)
	(HK\$'000)	(HK\$'000)
Turnover	2,852	3,683
Loss before taxation	(4,805)	(3,508)
Loss after taxation	(4,805)	(3,508)

	As at 31 March	
	2007	2006
	(Unaudited)	(Unaudited)
	(HK\$'000)	(HK\$'000)
Total assets	1,503	7,222
Total liabilities	(954)	(2,146)
Net assets	549	5,076

CONSIDERATION

The total consideration for the Disposal is US\$2.0 million (equivalent to approximately HK\$15.6 million), payable in cash in the following manner:

- (i) US\$1.0 million (equivalent to approximately HK\$7.8 million) has been paid as the initial deposit by the Purchaser to an escrow agent mutually agreed by the Purchaser and the Vendor; and
- (ii) the remaining balance of US\$1.0 million (equivalent to approximately HK\$7.8 million) shall be payable upon completion of the Agreement.

The consideration for the Disposal was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, (i) the unaudited consolidated net asset value of Power Ability Group of approximately HK\$549,000 as at 31 March 2007; and (ii) the historical business performance of Power Ability Group for the past two financial years ended 31 March 2007.

CONDITIONS PRECEDENT

Completion of the Agreement is conditional upon, inter alia, all necessary consents, approvals and authorizations having been obtained from all relevant governmental and regulatory authorities in relation to the Disposal.

If completion of the Agreement shall not have occurred on or before 31 March 2008, the Agreement shall cease and the parties will be released from all obligations and liabilities under it, save for any antecedent breaches of the provisions under the Agreement.

REASONS FOR THE DISPOSAL

The Group is principally engaged in investment holding, e-commerce and healthcare services. In view of the continued losses resulted from Power Ability Group and the Group's strategy to focus on service-oriented business, the Directors consider that the Disposal can prevent the Group from suffering further losses and cash outflow for the manufacturing business segment and provides an opportunity for the Group to reallocate more corporate resources on further cultivating the profitable e-commerce business and healthcare service business. The Directors are of the view that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon completion of the Agreement, the Group shall not have any equity interest in Power Ability and Power Ability shall cease to be a subsidiary of the Company.

The amount of gain or loss on disposal eventually to be recognized in the consolidated accounts of the Company depends on the net book value of Power Ability as at the completion date of the Agreement. Based on the unaudited management accounts of the Group as at 31 March 2007, it is expected that a gain on disposal of HK\$9.1 million (being the difference between the gross proceeds of approximately HK\$15.6 million and the adjusted book value of Power Ability attributable to the Group of approximately HK\$6.5 million as at 31 March 2007, after taking into account the unamortized goodwill and exchange reserves) would be recognized in the consolidated accounts of the Company should the Disposal had been completed as of 31 March 2007. The net asset of the Group shall also increase by the amount equivalent to the gain on disposal.

USE OF PROCEEDS FROM THE DISPOSAL

The estimated net proceeds from the Disposal of approximately HK\$15.0 million are intended to be used for general working capital of the Group.

GENERAL

The Disposal constitutes a disclosable transaction for the Company under the Listing Rules. A circular containing further details of the Disposal will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 1 February 2008, pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 4 February 2008.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	the share purchase agreement dated 31 January 2008 entered into between, inter alia, the Purchaser and the Vendor in relation to the Disposal
“Board”	the board of Directors
“Company”	China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the 51% equity interest in Power Ability by the Vendor pursuant to the Agreement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Power Ability”	Power Ability Limited, a company incorporated in the British Virgin Islands
“Power Ability Group”	Power Ability and its subsidiaries
“Purchaser”	TBG, Inc., a company incorporated in the Cayman Islands and a third party independent of the Company and its connected persons
“Sale Shares”	5,100 shares of Power Ability, representing 51% of the total issued share capital of Power Ability
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	West Regent Property Limited, a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States

By Order of the Board
China HealthCare Holdings Limited
Li Zhong Yuan
Chairman

Hong Kong, 1 February 2008

As at the date of this announcement, the board of directors of the Company comprises Dr. Li Zhong Yuan, Mr. Lee Jong Dae and Mr. Zhou Bao Yi, all of whom are executive Directors; Mr. Martin Treffer who is non-executive Director; and Mr. Mu Xiang Ming, Mr. Jiang Bo and Dr. Yan Shi Yun, all of whom are independent non-executive Directors.