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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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 the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale 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)

DISCLOSABLE TRANSACTION
DISPOSAL OF POWER ABILITY LIMITED

Financial Adviser to the Company

Hercules

Hercules Capital Limited

22 February 2008

* for identification purpose only

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DEFINITIONS

In this circular, 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
“associates”	has the meaning ascribed thereto in the Listing Rules
“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
“Latest Practicable Date”	20 February 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining and collation of relevant information contained herein
“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

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“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
“%”	per cent.

In this circular, US\$ is converted into HK\$ on the basis of US\$1.0 = HK\$7.8 (unless otherwise stated) for illustrative purpose.



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:

Dr. Li Zhong Yuan

Mr. Lee Jong Dae

Mr. Zhou Bao Yi

Non-executive Director:

Mr. Martin Treffer

Independent non-executive Directors:

Mr. Mu Xiangming

Mr. Jiang Bo

Dr. Yan Shi Yun

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of
business in Hong Kong:*

Room 1001-2, 10/F.

Man Yee Building

68 Des Voeux Road Central

Hong Kong

22 February 2008

*To the Shareholders and, for information only,
the holders of convertible bonds and preference shares*

Dear Sirs,

**DISCLOSABLE TRANSACTION
DISPOSAL OF POWER ABILITY LIMITED**

INTRODUCTION

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 (as defined under the Listing Rules) to dispose of its 51% equity interest in Power Ability.

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with, further details of the Disposal.

* for identification purpose only

LETTER FROM THE BOARD

THE AGREEMENT

Date:

31 January 2008

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 Latest Practicable Date.

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 Latest Practicable Date, Power Ability was 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)

LETTER FROM THE BOARD

	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 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 negotiations 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 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. As at the Latest Practicable Date, all of the above conditions have been fulfilled. Completion of the Agreement is expected to be taken place on or before 22 February 2008.

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 breach of the provisions under the Agreement.

LETTER FROM THE BOARD

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 provide 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 date completion 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 on 1 April 2006. Assuming the Disposal had been completed on 31 March 2007, the total assets of the Group shall increase by approximately HK\$4.6 million while the total liabilities of the Group shall decrease by approximately HK\$4.1 million, and resulted in an increase in the net asset of the Group by an amount equivalent to HK\$8.7 million.

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.

ADDITIONAL INFORMATION

Your attention is drawn to the general information relating to the Group set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
China HealthCare Holdings Limited
Li Zhong Yuan
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

A. Interests in the Company or its associated companies

(a) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/ chief executive	Company/ associated corporation	Capacity	Interests in shares	Interests in underlying shares pursuant to equity derivatives <i>(Note 3)</i>	Total interests in shares/ underlying shares	Percentage of shares and underlying shares held to existing total issued shares
Dr. Li Zhong Yuan	The Company	Corporate	19,808,000 <i>(Note 1)</i>	–	19,808,000	8.45%
		Personal	4,635,000	3,625,000	8,260,000	3.52%
Mr. Lee Jong Dae	The Company	Personal	3,026,500	3,600,000	6,626,500	2.83%
Mr. Martin Treffer	The Company	Corporate	1,295,000 <i>(Note 2)</i>	–	1,295,000	0.55%
		Personal	250,000	900,000	1,150,000	0.49%
Mr. Mu Xiangming	The Company	Personal	–	210,000	210,000	0.09%

Notes:

1. These shares included 11,147,000 Shares held by Pacific Annex Capital Limited and 8,661,000 Shares held by Timenew Limited. Both Pacific Annex Capital Limited and Timenew Limited are wholly-owned by Dr. Li Zhong Yuan.
2. These shares are held by 2Trade Group Limited which is beneficially owned as to 35% by Mr. Martin Treffer.
3. The underlying shares of equity derivatives represent the shares issuable upon the exercise of share options granted to the directors/chief executives by the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders and other persons' interests in Shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the persons (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such persons' interests in such securities, together with particulars of any options in respect of such capital were as follows:

Name of substantial shareholders	Capacity	Interest in Shares	Interests in underlying shares pursuant to equity derivatives	Total interests in Shares/ underlying shares	Percentage of Shares and underlying shares held to existing total issued shares
China Healthcare Services Ltd.	Beneficial owner	17,541,000	–	17,541,000	7.48%
Guo Kang Pharmaceutical & Medical Supplies Ltd.	Beneficial owner	17,000,000	–	17,000,000	7.25%
Orient Access International Inc.	Beneficial owner	17,300,000	–	17,300,000	7.38%
OZ Master Fund, Ltd. (Note 1)	Beneficial owner	–	47,356,068	47,356,068	20.21%
OZ Asia Master Fund, Ltd. (Note 2)	Beneficial owner	–	46,586,758	46,586,758	19.88%
OZ Management, L.L.C. (Note 3)	Interest of controlled corporations	–	100,344,827	100,344,827	42.82%
Och-Ziff Holding Corporation (Note 4)	Interest of controlled corporations	–	100,344,827	100,344,827	42.82%
Och-Ziff Capital Management Group L.L.C. (Note 4)	Interest of controlled corporations	–	100,344,827	100,344,827	42.82%
Daniel Saul Och (Note 4)	Interest of controlled corporations	–	100,344,827	100,344,827	42.82%
Mr. Hou Shu Ming (Note 5)	Beneficial owner	–	15,862,068	15,862,068	6.77%

Notes:

1. The underlying shares represent preference shares of the Company which entitle the holder thereof to convert for 47,356,068 fully paid Shares at an initial conversion price of HK\$1.16 per Share (subject to adjustments).
2. The underlying shares represent preference shares of the Company which entitle the holder thereof to convert for 46,586,758 fully paid Shares at an initial subscription price of HK\$1.16 per Share (subject to adjustments).
3. The 100,344,827 underlying shares of the Company held by OZ Management, L.L.C. through its controlled corporations include 47,356,068 underlying shares held by OZ Master Fund, Ltd., 46,586,758 underlying shares held by OZ Asia Master Fund, Ltd., 5,278,139 underlying shares held by OZ Global Special Investments Master Fund, L.P. and 1,123,862 underlying shares held by Fleet Maritime, Inc.
4. As at the Latest Practicable Date, OZ Management, L.L.C. was wholly-owned by Och-Ziff Holding Corporation, which in turn was wholly-owned by Och-Ziff Capital Management Group L.L.C.. Mr. Daniel Saul Och owned 79.1% of Och-Ziff Capital Management Group L.L.C.. Therefore, each of Och-Ziff Holding Corporation, Och-Ziff Capital Management Group L.L.C. and Mr. Daniel Saul Och was deemed to be interested in the underlying shares of the Company held by OZ Management, L.L.C.
5. The underlying shares represent convertible notes of the Company which entitle the holder thereof to convert for 15,862,068 fully paid Shares at an initial conversion price of HK\$1.16 per Share (subject to adjustments).

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigations or claims of material importance were known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lo Chi Ko. Mr. Lo holds a bachelor degree and a master degree in business administration. He is a practicing member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.
- (b) The qualified accountant of the Company is Mr. Tsui Siu Hung Raymond. Mr. Tsui holds a bachelor degree in business administration in accounting. He is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of the Certified Public Accountants.
- (c) The registered office and head office of the Company is situate at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 1001-2, 10/F., Man Yee Building, 68 Des Voeux Road Central, Hong Kong respectively.
- (d) Tricor Tengis Limited, the Hong Kong branch transfer office of the Company, is situate at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.