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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)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND RESUMPTION OF TRADING

Financial Adviser to the Company

Hercules

Hercules Capital Limited

After the trading hours in the morning of 2 September 2008, Success Gateway, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement, pursuant to which, Success Gateway has agreed to issue and sell to DLB Capital and Dr. Li 18,000,000 Subscription Shares and 1,500,000 Subscription Shares respectively at a cash consideration of US\$1.00 per Subscription Share. Furthermore, Dr. Li and Jade Capital shall subscribe additional 1,500,000 Subscription Shares and 2,000,000 Subscription Shares respectively at the consideration of US\$1.00 per Subscription Share no later than 31 December 2008. The Subscription Shares can be converted at any time during the conversion period into Conversion Shares at the Conversion Price.

Pursuant to the Subscription Agreement, Jade Capital and Dr. Li shall also subscribe for 4,000,000 Warrants and 600,000 Warrants at the consideration of US\$200,000 and US\$30,000 respectively. Each Warrant carries the right to subscribe for one Convertible Preference Share at a subscription price of US\$1.00 each at any time during the exercise period, which commences on 31 March 2012 up until 10 years from the date of issue of the Warrants. The exercise in full of the Warrants would result in the issue of additional 4,600,000 Convertible Preference Shares.

If the Subscription Shares and Convertible Preference Shares to be issued upon exercise of the Warrants are fully converted into Conversion Shares at the Initial Conversion Price of US\$1.00, 27,600,000 Conversion Shares, representing approximately 134.6% of the issued share capital of Success Gateway and approximately 57.4% of the total issued share capital of Success Gateway as enlarged by the issue of the Conversion Shares, will be issued.

* *for identification purpose only*

In addition, pursuant to the Subscription Agreement, the Company has agreed to sell, and Success Gateway has agreed to redeem, the Redemption Shares at a cash consideration of US\$1.00 per Redemption Share upon completion of the Subscription.

The issue and allotment of Conversion Shares under the Subscription Agreement will result in a material dilution of the Group's equity interest in Success Gateway under Rule 13.36(1) and give rise to a deemed disposal under Rule 14.29 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) for the Subscription and the Redemption are more than 75%, the transactions contemplated under the Subscription Agreement constitute a very substantial disposal for the Company under the Listing Rules.

Dr. Li, one of the Subscribers, a Director and a substantial Shareholder beneficially holding approximately 10.43% of the existing issued share capital of the Company, is a connected person of the Company under the Listing Rules and has interest in the Subscription. Therefore, the Subscription constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Subscription Agreement and transactions contemplated thereunder are subject to Independent Shareholders' approval, by way of poll, at the SGM pursuant to the Listing Rules. Dr. Li and his associates are required to abstain from voting on the resolution(s) to be proposed at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Subscription Agreement and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement. A circular containing, among other things, further details of the Subscription Agreement together with the notice of SGM will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 2:30 p.m. on 2 September 2008 pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 8 September 2008.

After the trading hours in the morning of 2 September 2008, Success Gateway entered into the Subscription Agreement with the Subscribers to issue in aggregate 23,000,000 Convertible Preference Shares and 4,600,000 Warrants to the Subscribers for a total consideration of US\$23.23 million.

THE SUBSCRIPTION AGREEMENT

Date: 2 September 2008

Issuer: Success Gateway

Subscribers: the Subscribers

The Subscription

Pursuant to the Subscription Agreement, Success Gateway has agreed to issue and sell to DLB Capital and Dr. Li 18,000,000 Subscription Shares and 1,500,000 Subscription Shares respectively at a cash consideration of US\$1.00 per Subscription Share. Furthermore, Dr. Li and Jade Capital shall subscribe additional 1,500,000 Subscription Shares and 2,000,000 Subscription Shares respectively at the consideration of US\$1.00 per Subscription Share no later than 31 December 2008. The Subscription Shares can be converted at any time during the conversion period into Conversion Shares at the Conversion Price.

According to the Subscription Agreement, Jade Capital and Dr. Li shall also subscribe for 4,000,000 Warrants and 600,000 Warrants at the consideration of US\$200,000 and US\$30,000 respectively. The consideration of the Warrants was arrived at after arm's length negotiation between the parties by reference to the net asset value and dividend yields of Success Gateway and non-exercisable period and time to expiry of the Warrants. The Warrants rank pari passu in all respects among themselves and each Warrant carries the right to subscribe for one Convertible Preference Share at a subscription price of US\$1.00 each at any time during the exercise period, which commences on 31 March 2012 up until 10 years from the date of issue of the Warrants. The exercise in full of the Warrants would result in the issue of additional 4,600,000 Convertible Preference Shares.

If the Subscription Shares and the Convertible Preference Shares to be issued upon exercise of the Warrants are fully converted into Conversion Shares at the Initial Conversion Price of US\$1.00, 27,600,000 Conversion Shares, representing approximately 134.6% of the issued share capital of Success Gateway after Share Split and approximately 57.4% of the total issued share capital of Success Gateway as enlarged by the issue of the Conversion Shares, will be issued.

Principal terms of the Convertible Preference Shares

Issue Price:	US\$1.00 per Convertible Preference Share
Dividend:	8% per annum on the issue price of each Convertible Preference Share, cumulative dividend
Conversion Right:	The holders of the Convertible Preference Shares shall have the right to convert any Convertible Preference Share into Conversion Shares at any time during the conversion period at the Conversion Price
Conversion Period:	Any time after the issue of the Convertible Preference Shares
Conversion Price:	The Initial Conversion Price of US\$1.00 (equivalent to approximately HK\$7.8), subject to anti-dilution provisions, including subdivision or consolidation of the SG Common Shares, capitalization issue, capital distribution and rights issue, which represents all the scenarios requiring adjustment for the Initial Conversion Price.

The Initial Conversion Price is 19.5 times of the unaudited consolidated net asset value per SG Common Share of approximately HK\$0.4, as calculated based on the unaudited consolidated net asset value of Success Gateway as at 31 March 2008 of approximately HK\$8,339,000 and 20,500,000 SG Common Shares in issue after the Share Split.

The Initial Conversion Price was arrived at after arm's length negotiation between the parties and based on the unaudited net asset value of Success Gateway as at 31 March 2008.

The Board, excluding the independent non-executive Directors who will opine on the terms of the Subscription Agreement after obtaining advices from the independent financial adviser, considers the Initial Conversion Price is fair and reasonable and in the interests of the Shareholders and the Company as a whole in light of the substantial premium over the net assets value of Success Gateway.

Automatic conversion:

The Convertible Preference Shares will be automatically converted into SG Common Shares or into common equity of a successor corporation, at the then applicable conversion price, in the event of an underwritten public offering equity on any of the New York Stock Exchange, the London Stock Exchange, NASDAQ or the Stock Exchange with gross proceeds to Success Gateway and/or the selling equity holders of no less than US\$50 million at a per share price that implies a valuation of Success Gateway that would result in a return on the investment in the Convertible Preference Shares (assuming sale at the initial public offering price) at least equal to five times the highest purchase price paid for the Convertible Preference Shares, or the election by holders of a majority of the Convertible Preference Shares.

Voting:

The holder(s) of the Convertible Preference Shares will not be entitled to attend or vote at any general meeting of Success Gateway by reason only of his/her being the holder(s) of the Convertible Preference Shares, unless a resolution is to be proposed at a general meeting for winding-up Success Gateway or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Convertible Preference Shares.

Transferability: The Convertible Preference Shares are freely transferable, subject to compliance with applicable securities laws, except that no holder of Convertible Preference Shares will transfer such shares to a competitor of Success Gateway.

Pre-emptive Rights: If Success Gateway proposes to offer any share for the purpose of financing its business, Success Gateway will first offer to the holders of the Convertible Preference Shares and Warrants on an “as converted basis” the right to invest in these shares the higher of (i) 50% of the offering; and (ii) pro rata based on their fully-diluted ownership percentage. If any holder of the Convertible Preference Shares fails to elect to purchase its pro rata portion of the offered shares, the other holders of the Convertible Preference Shares including the Warrants on an “as converted basis” will have the right to purchase up to the balance of such shares not so purchased.

Given that Dr. Li is a connected person of the Company under the Listing Rules and the other holders of the Convertible Preference Shares may become substantial shareholders of Success Gateway and thus connected persons of the Company after exercising the conversion right attached to the Convertible Preference Shares, the issue of SG Common Shares under the pre-emptive rights to the holders of the Convertible Preference Shares may constitute connected transactions for the Company and will be subject to Shareholders’ approval in accordance with the Listing Rules. The Company will comply with the relevant requirements of the Listing Rules as and when securities of Success Gateway are issued under the pre-emptive rights.

Other Rights: The holders of the Convertible Preference Shares on an as-if-converted basis have: (a) rights of first refusal on transfers by all holders of SG Common Shares; (b) tag-along rights on transfers by all holders of SG Common Shares on a pro rata basis, except in each case in respect of transfers to affiliates, family members, trusts created for the benefit of family members of other estate planning purpose, so that the holders of the Convertible Preference Shares have the right to join the transaction and sell their minority stake in Success Gateway if the holders of SG Common Shares sell their stake in Success Gateway; and (c) drag along rights, which enables a majority shareholder to force a minority shareholder to join in the sale of a company at the same price, terms, and conditions as any other seller, after five years so long as the net internal rate of return to the holders of the Convertible Preference Shares would be 50% or more.

Given that pre-emptive rights and the aforementioned other rights are commonly offered to minority shareholders for private equity investment deals and the subscription price of the Convertible Preference Shares represents a substantial premium over the net asset value of Success Gateway, the Directors consider that such terms are commercially justifiable and fair and reasonable to the Company and its Shareholders as a whole.

Employee Incentive Shares

The Subscribers and Success Gateway have agreed to reserve 4,500,000 SG Common Shares (the “Incentive Shares”), representing about 10% of the outstanding SG Common Shares (with the Convertible Preference Shares treated as converted) as at the completion of the Subscription and the Redemption, for issuance as equity incentives (including share grants, options, restricted shares, restricted share units and other equity incentives) to management, employees, consultants, board members and advisors. Subject to the approval of DLB Harvest LLC, Success Gateway will reserve another up to 5% of the outstanding SG Common Shares (with the Convertible Preference Shares treated as converted and the Incentive Shares treated as issued) as at the completion of the Subscription and the Redemption for issuance as further equity incentives. The adoption of any share option scheme will be subject to Shareholders’ approval in accordance with the Listing Rules. An announcement will be published if and when a share option scheme is proposed by Success Gateway.

Redemption of SG Common Shares by Success Gateway

Pursuant to the Subscription Agreement, the Company has agreed to sell, and Success Gateway has agreed to redeem, the Redemption Shares at a cash consideration of US\$1.00 per Redemption Share upon completion of the Subscription.

Board of Directors of Success Gateway

Upon completion of the Subscription, the board of directors of Success Gateway will comprise eight directors, four of whom shall be nominated by the Company, which intends to appoint Dr. Li and the current chief executive officer of Success Gateway to fill up two of the vacancies. Each of DLB Capital and Jade Capital shall have the right to nominate two directors to the board. All decisions or actions taken by the board of directors of Success Gateway will require the affirmative vote or consent of more than 50% of the directors, and in the case of 50%:50% tie, the vote cast by Dr. Li carries the weight of tie-breaker so long as there has not been a leadership change. Dr. Li will sign a declaration to proclaim that his effective voting control in the board of directors of Success Gateway will be transferred to the Company and he will cast his vote in all decisions of the board of directors of Success Gateway in the way as directed by the Company.

Conditions Precedent

The Subscription and the Redemption are inter-conditional with each other and completion of the Subscription Agreement is conditional upon, inter alia, the following conditions being fulfilled:–

- a) the passing by the Independent Shareholders at the SGM of the resolution(s) to approve, amongst other things, the Subscription and the allotment and issue of any Conversion Share which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Preference Shares, the amendments to the bye-laws of Success Gateway for the creation of the Convertible Preference Shares and the Redemption; and
- b) amendments to the bye-laws of Success Gateway for the creation of the Convertible Preference Shares.

In the event that any of the conditions is not fulfilled by 31 December 2008, the Subscription Agreement shall cease and determine and the parties shall be released from all obligations and liabilities under it, save for any antecedent breaches of the provisions under the Subscription Agreement.

Completion

Completion of the Subscription Agreement shall take place on or before the seventh day following the date on which the above conditions are fulfilled or waived, as the case may be, or such other time and date as may be mutually agreed by the Company and the Subscribers.

INFORMATION OF THE SUBSCRIBERS

The Subscribers comprise Dr. Li, who is a Director and substantial Shareholder holding 10.43% of the existing issued share capital of the Company, DLB Capital and Jade Capital. DLB Capital is a United States-based firm focusing primarily on the financial services sector and the industries that serve it. The group was formed by Mr. Douglas L. Brown, who was a Vice Chairman of Morgan Stanley before forming DLB Capital a few years ago, to provide expertise, capital and on-site management to the financial services sector. DLB Capital's focus is global, with an emphasis on the United States and the PRC. Jade Capital is a United States-based limited liability company focusing on early and growth stage financial service companies in the PRC.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save for Dr. Li, each of the Subscribers and their respective ultimate beneficial owners is third party independent of the Company and its connected persons.

REASONS FOR THE SUBSCRIPTION AND THE REDEMPTION

The Group is principally engaged in production and trading of biotechnology products, procurement of healthcare services and e-commerce distribution of mobile pre-charge.

Success Gateway is in need of additional funding and international expertise for fueling its strategic growth initiative which involves (a) the national expansion of the prepaid card business outside Shanghai and Guangdong; and (b) creation and distribution of other prepaid card products and stored value cards beyond mobile pre-charge. The Directors consider that the Subscription not only provide additional funding to the Group for the business development of Success Gateway Group but also bring in value added strategic partners and world class management team to help provide technology and management expertise from global perspective in stored value cards. Furthermore, the Redemption shall provide additional working capital for the development of the Group.

The Directors consider that the terms of the Subscription Agreement, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, are fair and reasonable, and the Subscription and the Redemption are in the interest of the Shareholders and the Company as a whole.

USE OF PROCEEDS OF THE SUBSCRIPTION AND THE REDEMPTION

The net proceeds from the Subscription is estimated to be approximately US\$23 million, of which approximately US\$2 million shall be used to repay current liabilities of Success Gateway Group, approximately US\$3 million shall be applied for the redemption of the Redemption Shares. The remaining balance of the proceeds is planned for general working capital purposes.

The net proceeds of approximately US\$3 million to be received by the Group from the Redemption will be applied for general working capital of the Group.

INFORMATION OF SUCCESS GATEWAY GROUP

Success Gateway was incorporated in the British Virgin Islands with an issued share capital of US\$100, comprising 100 common shares of US\$1.00 each. Before completion of the Subscription, Success Gateway shall subdivide its 100 common shares in issue into 20,500,000 SG Common Shares on the basis of 205,000 SG Common Shares for one existing common share.

Success Gateway is an investment company and its subsidiaries are mainly engaged in B-to-C e-payment services and distributions. The Success Gateway Group has developed and been continuously improving its proprietary platform of comprehensive e-commerce services and proprietary multi-functional Point of Sale (POS) systems. As its initial focus, Success Gateway Group has been successfully conducting its B-to-C business in mobile phone pre-payment field through its POS systems, where the two exclusive wireless operators in the PRC, China Mobile and China Unicom, are its strategic partners. Furthermore, almost 4,700 proprietary e-charge POS systems have been placed in all major convenience store chains and other retail spots throughout the city of Shanghai and it has achieved dominant market share of about 25% in the China Mobile Shanghai's mobile prepayment market.

The unaudited consolidated financial results of Success Gateway Group, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, for each of the two years ended 31 March 2008 are summarized as follows:

	For the year ended	
	31 March	
	2007	2008
	<i>(HK'000)</i>	<i>(HK'000)</i>
Revenue	1,627,076	2,857,865
Profit before taxation and extraordinary items	5,105	7,628
Net profit attributable to shareholders of Success Gateway	2,958	3,291

As at 31 March 2008, Success Gateway had an unaudited consolidated net asset value of approximately HK\$8,339,000.

The total purchase costs of Success Gateway Group paid by the Group amounted to approximately HK\$77.9 million.

FINANCIAL EFFECTS OF THE SUBSCRIPTION AND THE REDEMPTION

Had the Redemption been completed on 31 March 2008, the Group would recognize a gain on disposal of HK\$24.1 million, being the excess of the consideration of US\$3 million (equivalent to approximately HK\$23.4 million) over the negative net book value attributable to the Redemption Shares of approximately HK\$0.7 million.

The Subscription shall increase the Group's net asset value by approximately US\$23 million. Moreover, based on the adjusted net book value of Success Gateway Group as at 31 March 2008 after adjustments for the acquisition of 30% equity interest in Shanghai Harvest Network Technology Co. Limited by Success Gateway in June 2008, had the Warrants been exercised in full and the Convertible Preference Shares been fully converted into SG Common Shares on 31 March 2008, but before the Redemption, the Group would recognize a gain on deemed disposal of the Group's interest in Success Gateway of approximately HK\$94.4 million, being the excess of the net book value of Success Gateway shared by the Group after the conversion of the Convertible Preference Shares of approximately HK\$89.7 million over the negative net book value of Success Gateway shared by the Group before the conversion of the Convertible Preference Shares of approximately HK\$4.7 million.

The amounts of gain on disposals are shown for illustrative purpose only. They are subject to change and may differ from the actual amount to be recognized by the Group upon completion of the Redemption and conversion of the Convertible Preference Shares.

CHANGE IN THE SHAREHOLDING STRUCTURE OF SUCCESS GATEWAY

Assuming that there is no change in the issued share capital of Success Gateway prior to the completion of the Subscription, the effects on the shareholding structure of the Success Gateway upon issue of the Conversion Shares and redemption of SG Common Shares held by the Company will be as follows:

	Shareholding structure as at the date of this announcement		Shareholding structure after Share Split but before conversion of the Convertible Preference Shares		Shareholding structure after Share Split and Redemption but before conversion of the Convertible Preference Shares		Shareholding structure after Share Split, exercise of Warrants and full conversion of the Convertible Preference Shares	
	<i>No. of Common Shares</i>	<i>%</i>	<i>No. of SG Common Shares</i>	<i>%</i>	<i>No. of SG Common Shares</i>	<i>%</i>	<i>No. of SG Common Shares</i>	<i>%</i>
The Company	100	100.0	20,500,000	100.0	17,500,000	100.0	17,500,000	38.8
Dr. Li	-	-	-	-	-	-	3,600,000	8.0
DLB Capital	-	-	-	-	-	-	18,000,000	39.9
Jade Capital	-	-	-	-	-	-	6,000,000	13.3
Total	<u>100</u>	<u>100.0</u>	<u>20,500,000</u>	<u>100.0</u>	<u>17,500,000</u>	<u>100.0</u>	<u>45,100,000</u>	<u>100.0</u>

As shown in the above table, in the event that the Warrants are fully exercised and the Convertible Preference Shares are fully converted into Conversion Shares, the Company's equity interest in Success Gateway would decrease from 100% to 38.8%. However, given that the Company has control in 4 out of 8 of the board seats in Success Gateway and Dr. Li has agreed to transfer his effective voting control in the board of directors of Success Gateway to the Company in the case of tie vote, after seeking the advices from the Company's auditors, the Directors are of the opinion that the Company would have absolute control in the board of directors of Success Gateway, and Success Gateway would remain as a subsidiary of the Company and the accounts of Success Gateway would continue to be consolidated into the Group's accounts even if its equity interests in Success Gateway falls below 50%.

GENERAL

The issue and allotment of Conversion Shares under the Subscription Agreement will result in a material dilution of the Group's equity interest in Success Gateway under Rule 13.36(1) and give rise to a deemed disposal under Rule 14.29 of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) for the Subscription and the Redemption are more than 75%, the transactions contemplated under the Subscription Agreement constitute a very substantial disposal for the Company under the Listing Rules.

Dr. Li, one of the Subscribers, a Director and a substantial Shareholder beneficially holding approximately 10.43% of the existing issued share capital of the Company, is a connected person of the Company under the Listing Rules and has interest in the Subscription. Therefore, the Subscription constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Subscription Agreement and transactions contemplated thereunder are subject to Independent Shareholders' approval, by way of poll, at the SGM pursuant to the Listing Rules. Dr. Li and his associates are required to abstain from voting on the resolution(s) to be proposed at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Subscription Agreement and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement. A circular containing, among other things, further details of the Subscription together with the notice of SGM will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 2:30 p.m. on 2 September 2008 pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 8 September 2008.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China HealthCare Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules

“Conversion Price”	the price per Conversion Share at which the Convertible Preference Shares are to be converted into Conversion Shares
“Conversion Shares”	the SG Common Shares to be issued by Success Gateway upon the conversion of the Convertible Preference Shares
“Convertible Preference Shares”	the unlisted redeemable convertible cumulative preference shares of US\$1.00 each in the capital of Success Gateway
“Directors”	the directors of the Company
“Dr. Li”	Dr. Li Zhong Yuan, being a Director and substantial Shareholder and one of the Subscribers
“DLB Capital”	DLB Capital LLC, one of the Subscribers
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Conversion Price”	US\$1.00 per Conversion Share, subject to adjustment, if any
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, established to advise the Independent Shareholders on whether the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole
“Independent Shareholders”	Shareholders, except Dr. Li and his associates, who are not interested or involved in the transactions contemplated under the Subscription Agreement
“Jade Capital”	Jade Capital LLC, one of the Subscribers
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Redemption”	redemption of the Redemption Shares by Success Gateway

“Redemption Share(s)”	3,000,000 SG Common Shares to be held by the Company after the Share Split
“Share Split”	subdivision of the existing and unissued common shares of Success Gateway on the basis of 205,000 SG Common Shares for one existing common share
“SG Common Shares”	common shares of Success Gateway after the Share Split
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Subscription and amendments to the bye-laws of Success Gateway
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Subscribers”	Dr. Li, DLB Capital and Jade Capital
“Subscription”	the subscription of the Subscription Shares by the Subscribers upon and subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 2 September 2008 entered into between, inter alia, the Company, Success Gateway and the Subscribers in relation to the Subscription
“Subscription Shares”	Convertible Preference Shares to be issued by Success Gateway to the Subscribers in accordance with the terms and conditions of the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Gateway”	Success Gateway Investments Limited, a wholly-owned subsidiary of the Company
“Success Gateway Group”	Success Gateway and its subsidiaries
“Warrant(s)”	the warrant(s) of Success Gateway, each of which carries the right to subscribe for one Convertible Preference Share at a consideration of US\$1.00 per Convertible Preference Share

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 5 September 2008

As at the date of this announcement, the Board comprises:

Executive Directors

Dr. Li Zhong Yuan
Mr. Lee Jong Dae
Mr. Zhou Bao Yi

Independent non-executive Directors

Mr. Mu Xiangming
Mr. Jiang Bo
Dr. Yan Shi Yun

Non-executive Director

Mr. Martin Treffer