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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)

ANNOUNCEMENT

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

On 1 June 2008, the Company issued the unlisted convertible bonds of principal HK\$20 million (“CB1”) which has a term of three years and carry interest at 2% per annum payable semi-annually in arrears to Panjinfengyuan, the holder of the CB1. Each CB1 entitles the holder to convert the bonds into new ordinary shares of the Company at the lower of the following:

- i) the initial conversion price of HK\$1.16 per share; and
- ii) the volume-weighted average price of the ordinary shares of the Company for the 20 trading days ending on the day immediately preceding the date of a relevant conversion notice multiplied by a 0.9, but in any case no lower than HK\$0.30.

If the trading price of the ordinary shares of the Company falls below HK\$0.30, the holder(s) of the bonds shall have the right to request the Company to redeem the bonds immediately. On March 12, 2009, Panjinfengyuan requested that the Company redeem all CB1 principal HK\$20 million plus accrued interest thereof.

On 19 May 2005, the Company issued the convertible bonds of principal US\$6.6 million (“CB2”) which have a term of four years and carry interest at 3% per annum payable semi-annually in arrears to certain independent investors. Each CB2 entitles the holder to convert the bonds into new ordinary shares of the Company at a conversion price of HK\$2.525 per share. The last interest payment on CB2 will be due on 18 May 2009 and CB2 will also be maturing on 18 May 2009. As at the date of this announcement, CB2 with the principal value of US\$5.46 million remains outstanding.

Accordingly, the amount payable by the Company to redeem all outstanding CB2 at the maturity shall be US\$5.46 million in principal plus last interest. The Company has not received any notice from the holders of the outstanding CB2 to exercise their conversion right nor is aware of any intention on their part to do so, and accordingly, the Company expects that it would be required to redeem all outstanding CB2 on 18 May 2009.

Liquidity position of the Company

Due to the significant and prolonged impact of the recent global financial tsunami on the Group's businesses and operations, the Group is currently experiencing liquidity problems. As such, the Board expects that the Company will not have sufficient cashflow to redeem the Convertible Bonds in full on the relevant dates. Since the beginning of 2009, the Directors have been using their best efforts to seek fund raising opportunities with a view to solving the Group's immediate liquidity problem. Nevertheless, the Directors have not found any solution to raise the necessary cash following discussions with Och-Ziff, the holder of the 2% cumulative dividend redeemable convertible preference shares ("PS"), and the potential investors. Unless the Directors are able to obtain sufficient new funding to redeem all of the Convertible Bonds and/or reach an agreement with the holders of the Convertible Bonds on a suitable treatment of the Convertible Bonds, the Company will be in default of its obligation to redeem the Convertible Bonds on the relevant dates.

The Company's default in the redemption of any of the Convertible Bonds may also trigger the Company's potential early redemption obligation of the PS which will otherwise mature on 27 July 2011. The PSs that are outstanding as at the date of this announcement have a principal value of US\$15 million.

As a result of the above, the Company may potentially face recovery actions from the holders of any of the Convertible Bonds and other creditors as the first priority claimants and/or the holder of the PS as the second priority claimant, and should the Company's liquidity problems persist, the Company may face solvency issues. The Company are seeking guidance from professional advisors in preparation for such potential circumstances.

In view of the liquidity position of the Company and the potential solvency problems, the Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

"Board"	the board of Directors
"Directors"	the directors of the Company
"Company"	China HealthCare Holdings Limited, a company incorporated in Bermuda whose ordinary shares are listed on the main board of the Hong Kong Stock Exchange

“Convertible Bonds”	CB 1 and CB 2
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Panjinfengyuan”	Panjinfengyuan Technology Investment Limited (盤錦鋒源科技投資有限公司), a company incorporated under the laws of the People’s Republic of China and the holder of the CB1
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.10 each in the capital of the Company
“Och-Ziff”	Och-Ziff Capital Management Group, a global institutional asset management firm headquartered in the New York City, USA and the holder of the PS
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“US\$”	United States dollars, the lawful currency of the United States

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

Hong Kong, 31 March 2009

* *for identification purpose only*

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.