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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)

BREACH OF LOAN AGREEMENTS

CHANGE IN AUDITORS

This announcement is made pursuant to Rules 13.19 and 13.51(4) of the Listing Rules.

Reference is made to the Company's announcement dated 31 March 2009 disclosing that it was facing liquidity problems and was lack of sufficient cash flow to redeem the Convertible Bonds (including CB 1 and CB 2) when due (the "Announcement").

CONVERTIBLE BONDS

Further to the Announcement, a Board meeting was held on 12 May 2009. The Board decided to defer redemption of the Convertible Bonds and other non-operating related cash outflows as the Company has insufficient cash flow to redeem the Convertible Bonds. While the Company has communicated to the holders of the Convertible Bonds, neither payment extension nor written forbearance has been obtained. A majority of the holders of the Convertible Bonds, however, has verbally indicated they would not take immediate legal action against the Company to enforce their rights under the Convertible Bonds. The Company has decided to submit a formal request to the holders of the Convertible Bonds for a standstill arrangement for a period of three months, with a view to continue working on a potential restructuring of its capital structure with Och-Ziff.

COST CUTTING MEASURES

Given the liquidity position of the Company, the Board resolved that the Company should implement all necessary cost cutting measures across all aspects of the Company, including without limitation, reduction of the size and operation cost of the Company's non-revenue generating component.

CHANGE IN AUDITORS

The Board announces that RSM has resigned as the auditors of the Company with effect from 20 May 2009 as the Company and RSM have not been able to reach an agreement in relation to the level of the audit fees proposed by the Company for the financial year ended 31 March 2009. Shinewing Certified Public Accountants has been appointed as the new auditors of the Company and its subsidiaries to fill the casual vacancy following the resignation of RSM, and to hold office until the conclusion of the next general meeting of the Company.

RSM confirmed that there were no circumstances connected with their resignation which they considered should be brought to the attention of the Shareholders.

The Board confirms that, save as disclosed above, there are no circumstances in respect of the change of auditors which they consider should be brought to the attention of the Shareholders.

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
“CB 1”	unlisted convertible bonds issued by the Company on 1 June 2008 with a principal value of HK\$20 million which has a term of three years
“CB 2”	unlisted convertible bonds issued by the Company with an original principal value of US\$6.6 million (of which US\$5.46 million are outstanding as at the date of this announcement) due on 18 May 2009
“Company”	China HealthCare Holdings Limited, a company incorporated in Bermuda whose shares are listed on the main board of the Stock Exchange
“Convertible Bonds”	CB 1 and CB 2
“Directors”	the directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“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 2% cumulative dividend redeemable convertible preference shares issued by the Company
“RSM”	RSM Nelson Wheeler Certified Public Accountants
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 20 May 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.