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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 ACQUISITION AND RESUMPTION OF TRADING

Financial Adviser to China HealthCare Holdings Limited

Hercules

Hercules Capital Limited

On 24 March 2010, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with, among others, the Vendor, an independent third party, to acquire the Sale Shares, representing the entire equity interest in the Target for a total consideration of US\$73.0 million (equivalent to approximately HK\$565.89 million). The consideration shall be satisfied by the Group in full upon Completion as to (i) US\$2.5 million (equivalent to approximately HK\$19.38 million) in cash; (ii) US\$6.0 million (equivalent to approximately HK\$46.51 million) by the issue of the Tranche A Convertible Notes; and (iii) US\$64.5 million (equivalent to approximately HK\$500.00 million) by the issue of the Tranche B Convertible Notes. Following the Completion, the Target would become a wholly-owned subsidiary of the Company.

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since none of the Vendor, parties acting in concert with it and their respective associates holds any Share as at the date of this announcement and to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any interest in the Acquisition, no Shareholder is required to abstain from voting at the SGM to approve the Agreement and the transactions contemplated thereunder.

* *for identification purpose only*

A circular containing, inter alia, further details of the Acquisition and other disclosures in connection with the Acquisition required under the Listing Rules, together with a notice of the SGM will be despatched to the Shareholders in due course.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 16 March 2010, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8 April 2010.

The Board is pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Agreement with, among others, the Vendor to acquire the Sale Shares, representing the entire equity interest in the Target. Details of the Acquisition are set out as follows:

THE AGREEMENT

Date

24 March 2010 and supplemented on 29 March 2010

Parties to the Agreement

Vendor	:	GeneHarbor Holdings Limited, an investment holding company incorporated in Bermuda with limited liability. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company and none of the shareholders of the Vendor has prior relationships with any existing substantial Shareholder.
Purchaser	:	Novogain Holdings Limited, a wholly-owned subsidiary of the Company.
Warrantor	:	Dr. Jun WANG, being the Chairman and a substantial shareholder of the Vendor beneficially holding 30.53% equity interest of the Vendor as at the date of this announcement.
Covenantors	:	South Sources Development Limited and Simplicio Universal Limited, being investment holding companies holding 10.90% and 14.19% equity interest of the Vendor as at the date of this announcement respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Covenantors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.
Guarantor	:	The Company, as the guarantor of the Purchaser.

Assets to be acquired

The Sale Shares, being 1,000 ordinary shares of US\$1.00 each in the share capital of the Target, representing the entire issued share capital of the Target.

Consideration

The total consideration for the Acquisition is US\$73.0 million (equivalent to approximately HK\$565.89 million) and shall be satisfied in full by the Group upon Completion as follows:

- (i) US\$2.5 million (equivalent to approximately HK\$19.38 million) shall be payable in cash;
- (ii) US\$6.0 million (equivalent to approximately HK\$46.51 million) shall be satisfied by the issue of the Tranche A Convertible Notes with an initial conversion price of HK\$0.30 per Tranche A Conversion Share; and
- (iii) US\$64.5 million (equivalent to approximately HK\$500.00 million) shall be satisfied by the issue of the Tranche B Convertible Notes with an initial conversion price of HK\$0.40 per Tranche B Conversion Share.

The consideration of the Acquisition, which represents a premium of approximately 318.74% over the unaudited consolidated net assets of the Target Group as at 31 December 2009 of approximately HK\$135.14 million, was determined after arm's length negotiations between the Purchaser and the Vendor. Having considered that (i) the proprietary and advanced technologies of the Target Group have placed it at an advantageous and leading position in the enzyme industry; (ii) the Target Group's proprietary technology platforms have a wide range of applications in the pharmaceuticals, food, nutritional, beverage and new energy industries; (iii) the Target Group's worldwide leading technology platform for producing the 2nd generation bioethanol by converting biowaste into cellulosic ethanol with its proprietary enzymes outperforms other competing solutions. As shown by the scale up pilot production, the Target Group can produce 1 metric ton of cellulosic ethanol with no more than 5 metric tons of biowaste at a cost of no more than RMB4,500 while the best level in the PRC at present is no less than 6.5 metric tons of biowaste at a cost of no less than RMB6,500; and (iv) Cellulosic ethanol is a fully renewable and advanced biofuel that has tremendous demand. This form of new energy can be used in today's automobiles, and it can significantly lower overall greenhouse gas emissions, substantially reduce reliance on oil and enhance energy security, and in particular, the PRC medium to long term renewable energy plan has set the target of producing no less than 20 million metric tons of bioethanol per annum by 2020 while the US through legislation has laid down the renewable energy phase-in roadmap of 50-70 million metric tons of bioethanol by 2022, the Directors are optimistic about the Target Group's growth potential and prospects and consider that the premium of the consideration over the net asset value of the Target Group is commercially justifiable.

The Group intended to finance the cash consideration by the proceeds from the issue of the subordinated convertible notes, details of which were set out in the announcement of the Company dated 8 April 2010.

Principal terms of the Tranche A Convertible Notes

The terms of the Tranche A Convertible Notes were negotiated on an arm's length basis and the principal terms of which are summarized below:

Issuer	:	the Company
Principal amount	:	US\$6.0 million (equivalent to approximately HK\$46.51 million)
Issue price	:	100% of principal amount of the Tranche A Convertible Notes
Interest	:	1% per annum, payable semi-annually in arrears in equal installments starting from the 180th day of the issue date of the Tranche A Convertible Notes.
Default interest	:	Interest will accrue from the due date at a rate equal to the lower of (i) 8% per annum; or (ii) the US\$ prime lending rate quoted by The Hongkong & Shanghai Banking Corporation Limited and published in the South China Morning Post, up to (but excluding) the date on which payment in full of the outstanding amount is made.
Maturity date	:	31 December 2011
Conversion price	:	The initial conversion price is HK\$0.30, subject to adjustments in accordance with the terms of instruments of the Tranche A Convertible Notes. Events triggering adjustments include share consolidation, share subdivision, capitalization of profits or reserves, capital distribution, rights issue, open offer and equity or equity derivatives issues. No adjustment involving an increase in the conversion price will be made except in the case of a share consolidation.

The initial conversion price of HK\$0.30 represents:

- (i) a discount of 25.00% to the closing price of HK\$0.400 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 20.84% to the average closing price of HK\$0.379 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day; and

- (iii) a discount of approximately 21.47% to the average closing price of approximately HK\$0.382 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including the Last Trading Day.

The initial conversion price was arrived at after arm's length negotiation between the Vendor and the Purchaser, with reference to the market price of the Shares. The Vendor originally requested for a larger portion of the consideration to be settled by cash. However, taking into account the liquidity problem of the Company, the Vendor agreed to accept a smaller portion of cash settlement by replacing part of the cash payment with a convertible note with a discounted conversion price. Given the principal amount of the Tranche A Convertible Notes only accounted for approximately 8.22% of the total consideration and taking into account the liquidity constraint of the Company, such arrangement enables the Group to minimize the immediate cash outflow. As such, the Directors consider that a lower initial conversion price for the Tranche A Convertible Notes as compared to that of the Tranche B Convertible Notes and the closing price of the Share on the Last Trading Day is commercially justifiable and it is fair and reasonable so far as the Shareholders are concerned.

Conversion rights	:	The Tranche A Convertible Notes carry the rights to convert the whole or part of their principal amount (in the amount of US\$10,000 or integral multiples thereof, unless the outstanding amount is less than US\$10,000) into Tranche A Conversion Shares at the initial conversion price of HK\$0.30 per Tranche A Conversion Share during the conversion period at the discretion of the holders of the Tranche A Convertible Notes provided that (i) the holder and parties acting in concert with it, taken together, will not directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or in such lower percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer); and/or (ii) the allotment and issue of the Tranche A Conversion Shares upon exercise of the conversion right will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.
Conversion period	:	The period commencing on the date which is six months from the date of Completion and expiring on the maturity date of the Tranche A Convertible Notes.

Tranche A Conversion Shares	:	<p>The Tranche A Conversion Shares shall rank pari passu in all respects with the Shares in issue on the relevant conversion date and shall entitle the holders to participate in full in all dividend or other distribution paid or made on the Shares after the relevant conversion date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant conversion date.</p> <p>Assuming that the Tranche A Convertible Notes are fully converted into Tranche A Conversion Shares at the initial conversion price of HK\$0.30, a total of 155,033,333 Tranche A Conversion Shares will be issued, which represent approximately 59.17% of the existing share capital of the Company and approximately 37.17% of the issued share capital of the Company as enlarged by the issue of the Tranche A Conversion Shares.</p> <p>The Tranche A Conversion Shares will be issued under a specific mandate, which will be sought at the SGM. Application will be made by the Company for the listing of, and permission to deal in, the Tranche A Conversion Shares on the Stock Exchange.</p>
Application of listing	:	No application will be made by the Company to the Stock Exchange or any other stock exchange for the listing of the Tranche A Convertible Notes.
Redemption	:	The Company is required to redeem any outstanding Tranche A Convertible Notes on the maturity date at its principal amount mandatorily. The Company may redeem the Tranche A Convertible Notes at par together with accrued interest at any time after the issue date of the Tranche A Convertible Notes until and including 31 December 2010. The holders of the Tranche A Convertible Notes retain the right of conversion on or before the day falling 10 business days prior to the date fixed for redemption and such resulting Tranche A Conversion Shares, via exercising the conversion rights by the holders of the Tranche A Convertible Notes, if any, shall not be subject to any lock-up.
Transferability	:	The Tranche A Convertible Notes shall be freely transferable to any person, provided that any transfer to a connected person of the Company are subject to prior approval of the Shareholders and compliance with the relevant requirements and provisions under the Listing Rules and applicable laws and regulations.

Status : The Tranche A Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves and with all other present and future unsecured and unsubordinated obligations of the Company.

Principal terms of the Tranche B Convertible Notes

The terms of the Tranche B Convertible Notes were negotiated on an arm's length basis and the principal terms of which are summarized below:

Issuer : the Company

Principal amount : US\$64.5 million (equivalent to approximately HK\$500.00 million)

Issue price : 100% of principal amount of the Tranche B Convertible Notes

Interest : Nil

Default interest : Interest will accrue from the due date at a rate equal to the lower of (i) 5% per annum; or (ii) the US\$ prime lending rate quoted by The Hongkong & Shanghai Banking Corporation Limited and published in the South China Morning Post, up to (but excluding) the date on which payment in full of the outstanding amount is made.

Maturity date : The date falling on the 10th anniversary of the date of Completion

Conversion price : The initial conversion price is HK\$0.40, subject to adjustments in accordance with the terms of instruments of the Tranche B Convertible Notes, including share consolidation, share subdivision, capitalization of profits or reserves, capital distribution, rights issue, open offer and equity or equity derivatives issues. No adjustment involving an increase in the conversion price will be made except in the case of a share consolidation. The initial conversion price was arrived at after arm's length negotiation between the Vendor and the Purchaser, with reference to the market price of the Shares.

The initial conversion price of HK\$0.40

- (i) is equal to the closing price of HK\$0.400 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) represents a premium of approximately 5.54% over the average closing price of HK\$0.379 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) represents a premium of approximately 4.71% over the average closing price of approximately HK\$0.382 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including the Last Trading Day.

Conversion rights	:	The Tranche B Convertible Notes carry the rights to convert the whole or part of their principal amount (in the amount of US\$10,000 or integral multiples thereof, unless the outstanding amount is less than US\$10,000) into Tranche B Conversion Shares at the initial conversion price of HK\$0.40 per Tranche B Conversion Share during the conversion period at the discretion of the holders of the Tranche B Convertible Notes provided that (i) the holder and parties acting in concert with it, taken together, will not directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or in such lower percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer); and/or (ii) the allotment and issue of the Tranche B Conversion Shares upon exercise of the conversion right will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.
Conversion period	:	The period commencing on the date which is six months after the date of Completion and expiring on the maturity date of the Tranche B Convertible Notes.
Tranche B Conversion Shares	:	The Tranche B Conversion Shares shall rank pari passu in all respects with the Shares in issue on the relevant conversion date and shall entitle the holders to participate in full in all dividend or other distribution paid or made on the Shares after the relevant conversion date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant conversion date.

Assuming that the Tranche B Convertible Notes are fully converted into Tranche B Conversion Shares at the conversion price of HK\$0.40, a total of 1,250,000,000 Tranche B Conversion Shares will be issued, which represent approximately 477.06% of the existing share capital of the Company and approximately 82.67% of the issued share capital of the Company as enlarged by the issue of the Tranche B Conversion Shares.

The Tranche B Conversion Shares will be issued under a specific mandate, which will be sought at the SGM. Application will be made by the Company for the listing of, and permission to deal in, the Tranche B Conversion Shares on the Stock Exchange.

Application of listing : No application will be made by the Company to the Stock Exchange or any other stock exchange for the listing of the Tranche B Convertible Notes.

Redemption : The Company shall redeem any outstanding Tranche B Convertible Notes on the maturity date at its principal amount, subject to the entitlement for the Company to require the automatic conversion of any Tranche B Convertible Notes on the maturity date, having given not less than 15 business days notice to the relevant holders of the Tranche B Convertible Notes.

The Company may redeem the Tranche B Convertible Notes by issuance of new Shares at the higher of the then market value or HK\$0.40 per Share at the maturity date.

Transferability : The Tranche B Convertible Notes shall be freely transferable to any person, provided that any transfer to a connected person of the Company are subject to prior approval of the Shareholders and compliance with the relevant requirements and provisions under the Listing Rules and applicable laws and regulations.

The Tranche B Convertible Notes may be distributed in part to the Vendor's shareholders given that such shareholders as a whole shall be deemed as parties acting in concert and subject to the same conversion restriction.

Status : The Tranche B Convertible Notes constitute direct, unconditional, subordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The rights and claims of the holders of the Tranche B Convertible Notes against the Company to payment in respect of the Tranche B Convertible Notes are subordinated in right of payment to the claims of all senior creditors. In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of the Company no amounts shall be payable in respect of the Tranche B Convertible notes until the claims of the senior creditors shall have first been satisfied in full.

Conditions precedent

Completion is conditional upon, inter alia,:

- (a) the passing of the relevant resolution(s) at the general meeting of the Company by the Shareholders for approving the Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;
- (b) the receiving of the legal opinions in form and substance reasonably satisfactory to the Purchaser;
- (c) the granting of the listing of, and permission to deal in, the Conversion Shares by the Listing Committee of the Stock Exchange;
- (d) the granting of the permission for the issue of the Conversion Shares by the Bermuda Monetary Authority, if required;
- (e) all approvals, consents and acts, whether required under laws, codes, regulations, the Listing Rules or otherwise, for the purpose of or in connection with the Completion being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such provisions being obtained from the relevant authority, including without limitation the Stock Exchange;
- (f) no indication being received from the Stock Exchange that the transactions contemplated under the Agreement will be treated or, as the case may be, ruled by the Stock Exchange as a “reverse takeover” under the Listing Rules;
- (g) the warranties, representations, indemnities and undertakings given by the Vendor and the Warrantor being true and accurate in all material respects; and
- (h) the Purchaser being satisfied that, as at Completion, there has not been any material adverse change in respect of the Target Group since the date of the Agreement.

Completion shall take place on the third business day after the date on which conditions (a) to (d) are satisfied or, as the case may be, waived. The conditions (a), (c), (d) (e) and (f) may not be waived. If any of the conditions (b), (g) and/or (h) is not fulfilled or, as the case may be, waived by the Purchaser on or before 12:00 noon on the date which is six months from the date of the Agreement, or such later date as agreed by the parties in writing, the obligations of the parties shall cease and determine and neither party shall have any claim under the Agreement against the others of them save in respect of any antecedent breaches of the Agreement.

Restrictive covenants and lock-up

The Warrantor undertakes to each of the Purchaser and the Company that he will not, and will procure that none of his associates will, without the prior written consent of the Company, (i) at any time during the period commencing on the date of Completion and ending on the date which is two years after the date of Completion, dispose of or encumber any Conversion Share legally and/or beneficially-owned by him or any of his associates; and (ii) during the period commencing on the second anniversary of the date of Completion and ending on the date which is five years after the date of Completion, in each year ending on the anniversary of the date of Completion, dispose of or encumber in aggregate more than 5.0% of the total number of the Conversion Shares which were legally and/or beneficially owned by him or any of his associates at the commencement of such relevant period.

Each of the Covenantors undertakes to each of the Purchaser and the Company that it will not, and will procure that none of its associates will, without the prior written consent of the Company at any time during the period commencing on the date of Completion and ending on the date which is two years after the date of Completion, dispose of or encumber any Conversion Share legally and/or beneficially-owned by it or any of its associates.

Each of the Vendor and the Warrantor undertakes that it shall not (and, in the case of the Warrantor shall procure that the Vendor and any nominee shall not) exercise any right to convert the Convertible Notes into Conversion Shares to the extent that following such exercise (i) the Vendor, the Warrantor and parties acting in concert with any of them, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares or in such other percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer; or (ii) the Company would fail to comply with any requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules.

INFORMATION OF THE TARGET GROUP

The Target is an investment holding company incorporated in the British Virgin Islands on 7 June 2000. The Target Group is principally engaged in the biotech industry focusing on the design, development, commercialization and manufacture of innovative and improved enzymes, a kind of catalyst for increasing the rates of chemical reactions, which can be applied in various industries such as pharmaceuticals, food, nutritional and beverage industries.

With a professional team of over 50 scientists, 13 of whom with doctoral degrees, and its world-leading cutting edge expertise in enzymes, the Target Group has developed 7 proprietary industry validated technology platforms and granted with a profile of 61 published and filed patents worldwide (the “Enzyme Platform Technology”). The Enzyme Platform Technology improves the properties of enzyme, makes it more suitable for industrial applications, in return, further improves the reaction efficiency, shortens the production process, reduces the amount of raw materials used for production and lowers the production cost as compared with the traditional production by chemical synthesis. The major breakthrough applications of the enzymes produced by the Target Group include the production of (i) phosphocreatine, being one of the ingredients of cardiovascular drug and it is increasingly used in the areas of cosmetic, health supplement and energy booster; (ii) high fructose corn syrup, a widely used sweetener in the food and beverage industries; and (iii) the second generation biomass fuel ethanol, where the biomass such as rice straw, tree leaves and agricultural waste can be utilized as feedstock to produce bioethanol for energy generation.

According to the unaudited consolidated management accounts of the Target Group, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the Target Group recorded an unaudited consolidated profit before and after taxation and extraordinary items of approximately HK\$38.98 million and HK\$62,000 for the year ended 31 December 2008 and 31 December 2009 respectively. As at 31 December 2008, the unaudited consolidated net assets of the Target Group was approximately HK\$46.17 million and as at 31 December 2009, the unaudited consolidated net assets of the Target Group was approximately HK\$135.15 million.

REASONS FOR THE ACQUISITION

The Group is principally engaged in investment holding, e-commerce and healthcare services. Upon Completion, the Target will become a wholly-owned subsidiary of the Company and its results will be consolidated into the Group’s accounts. At present, the Group has no intentions to effect substantive changes to its existing business after the Acquisition nor the Company has entered into or has any present plan to enter into any agreement, arrangement, understanding or negotiation on disposal of any subsidiary, existing business or assets of the Group. At present, the Company has no plans to change the composition of its Board or appoint any of the substantial shareholders of the Vendor (including the Warrantor) as a Director, a controller or a chief executive of the Company before and/or after the completion of the Acquisition.

The Directors consider that the Acquisition shall enable the Group to expand its current business into the industries of high growth potential by utilizing the biotechnologies, in particular the proprietary Enzyme Platform Technology developed by the Target Group. The Directors also expect the Group’s well established business connections with the participants and practitioners in the healthcare industry may broaden the customer base of the Target Group and create synergy.

As disclosed in the Company’s announcements dated 31 March 2009 and 20 May 2009 and the 2008 annual report and the 2009 interim report of the Company, the Company is facing an insolvency problem to repay and/or redeem the Existing Convertible Notes and the Preference Shares and the Company is working on potential restructuring of its capital structure and sourcing for external resources for a

solution to its insolvency problem. Convinced by the growth potential and the prospects of the Target Group, majority of the holders of the Existing Convertible Notes have verbally agreed to extend the Existing Convertible Notes for a period of three to four years. The Company has also engaged in discussions with the holders of the Preference Shares for a solution by way of converting the Preference Shares into Shares upon completion of the Acquisition.

Having considered (i) the abovementioned benefits to be brought by the Acquisition; (ii) the financial position of the Group; and (iii) the payment term of over 96% of the consideration of the Acquisition being settled by the issue of Convertible Notes, the Directors believe that the terms of the Agreement, including the consideration of the Acquisition, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company as at the date of this announcement and, for illustrative purposes only, (i) upon full conversion of the Convertible Notes; (ii) upon conversion of the Convertible Notes, subject to the conversion restrictions; and (iii) upon full conversion of the Convertible Notes and the existing convertible securities of the Company, each prepared on the basis that there would be no change in the issued share capital of the Company after the date of this announcement other than as stated in each scenario.

	As at the date of this announcement		Upon full conversion of the Convertible Notes		Upon conversion of the Convertible Notes subject to the conversion restrictions (Note 4)		Upon full conversion of the Convertible Notes and the existing convertible securities of the Company (Note 5)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Dr. Li Zhong Yuan and his associates (Note 1)	24,443,000	9.33	24,443,000	1.47	24,443,000	6.53	28,068,000	1.55
China Healthcare Services Limited	17,541,000	6.69	17,541,000	1.05	17,541,000	4.69	17,541,000	0.97
Orient Access International Inc.	17,300,000	6.60	17,300,000	1.04	17,300,000	4.62	17,300,000	0.96
Mr. Martin Treffer and his associates (Note 2)	1,545,000	0.59	1,545,000	0.09	1,545,000	0.41	2,445,000	0.14
Mr. Mu Xiangming	–	–	–	–	–	–	210,000	0.01
Mr. Lee Jong Dae (Note 3)	3,026,500	1.16	3,026,500	0.18	3,026,500	0.81	3,026,500	0.17

	As at the date of this announcement		Upon full conversion of the Convertible Notes		Upon conversion of the Convertible Notes subject to the conversion restrictions (Note 4)		Upon full conversion of the Convertible Notes and the existing convertible securities of the Company (Note 5)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Och-Ziff Group	–	–	–	–	–	–	100,344,827	5.54
Panjinfenyuan Technology Investment Limited	–	–	–	–	–	–	8,949,431	0.49
Vendor	–	–	1,405,033,333	84.28	112,241,495	29.99	1,405,033,333	77.61
Other public Shareholders (Note 4)	198,166,077	75.63	198,166,077	11.89	198,166,077	52.95	227,549,195	12.56
Total	262,021,577	100.00	1,667,054,910	100.00	374,263,072	100.00	1,810,467,286	100.00

Notes:

- (1) These Shares included 11,147,000 Shares held by Pacific Annex Capital Limited, 8,661,000 Shares held by Timenew Limited and 4,635,000 Shares held by Dr. Li Zhong Yuan. Since Pacific Annex Capital Limited and Timenew Limited are wholly-owned by Dr. Li Zhong Yuan, Dr. Li Zhong Yuan is deemed to be interested in the Shares held by Pacific Annex Capital Limited and Timenew Limited.
- (2) These Shares included 1,295,000 Shares held by 2Trade Group Limited and 250,000 Shares held by Mr. Martin Treffer. Since 2Trade Group Limited is beneficially owned as to 35% by Mr. Martin Treffer, Mr. Martin Treffer is deemed to be interested in the Shares held by 2Trade Group Limited.
- (3) Being a Director within the preceding 12 months from the date of this announcement.
- (4) Pursuant to the terms of the Convertible Notes, the holders of the Convertible Notes shall not convert the Convertible Notes into Conversion Shares if (i) the holder and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued Shares (or in such lower percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer); and/or (ii) the allotment and issue of the Conversion Shares upon exercise of the conversion right will cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.
- (5) The existing convertible securities of the Company include the Preference Shares, the Existing Convertible Notes and an aggregate of 13,730,000 outstanding share options with exercise prices in the range of HK\$2.325 to HK\$8.6 each. Save as aforementioned, the Company has no other convertible securities outstanding as at the date of this announcement.

GENERAL

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since none of the Vendor, parties acting in concert with it and their respective associates holds any Share as at the date of this announcement and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any interest in the Acquisition, no Shareholder is required to abstain from voting at the SGM to approve the Agreement and the transactions contemplated thereunder.

A circular containing, among others, further details of the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules, together with a notice of the SGM will be despatched to the Shareholders in due course.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 16 March 2010, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 8 April 2010.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor in accordance with the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 24 March 2010 (as supplemented by the supplemental sale and purchase agreement dated 29 March 2010) entered into between the Purchaser, the Vendor, the Company, the Warrantor and the Covenantors in relation to the Acquisition
“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

“Completion”	completion of the Acquisition
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Conversion Share(s)”	the Tranche A Conversion Share(s) and the Tranche B Conversion Share(s)
“Convertible Notes”	the Tranche A Convertible Notes and the Tranche B Convertible Notes
“Covenantors”	South Sources Development Limited and Simplicio Universal Limited
“Director(s)”	the director(s) of the Company
“Existing Convertible Notes”	the convertible notes of a principal amount of (i) US\$6.6 million issued by the Company to certain independent investors; and (ii) HK\$20 million issued by the Company to Panjinfenyuan Technology Investment Limited as part of the consideration for the acquisition of 30% equity interest of Shanghai Harvest Network Technology Co. Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	15 March 2010, being the last trading day before the publication of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Och-Ziff Group”	OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P. and Fleet Maritime, Inc.
“PRC”	the 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

“Preference Shares”	15,000 redeemable convertible cumulative preference shares issued by the Company to the Och-Ziff Group in accordance with the terms and conditions of the subscription agreement dated 5 April 2006 entered into between the Company and the Och-Ziff Group
“Purchaser”	Novogain Holdings Limited, a wholly-owned subsidiary of the Company
“Sale Shares”	1,000 ordinary share of US\$1.00 each in the share capital of the Target, representing the entire issued share capital of the Target
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	GeneHarbor Technologies Inc., a company incorporated in the British Virgin Islands and is wholly-owned by the Vendor as at the date of this announcement
“Target Group”	the Target and its subsidiaries
“Tranche A Conversion Share(s)”	new Share(s) to be issued by the Company upon conversion of the Tranche A Convertible Notes
“Tranche A Convertible Notes”	the convertible notes of a principal amount of US\$6.0 million (equivalent to approximately HK\$46.51 million) with a conversion price of HK\$0.30 per Tranche A Conversion Share to be issued by the Company, as part of the consideration for the Acquisition, to the Vendor in accordance with the terms and conditions of the Agreement
“Tranche B Conversion Share(s)”	new Share(s) to be issued by the Company upon conversion of the Tranche B Convertible Notes

“Tranche B Convertible Notes”	the subordinated convertible notes of a principal amount of US\$64.5 million (equivalent to approximately HK\$500.00 million) with a conversion price of HK\$0.40 per Tranche B Conversion Share to be issued by the Company, as part of the consideration for the Acquisition, to the Vendor in accordance with the terms and conditions of the Agreement
“US\$”	United States dollar, the lawful currency of the United States of America
“Vendor”	GeneHarbor Holdings Limited, a company incorporated in Bermuda with limited liability
“Warrantor”	Dr. Jun WANG
“%”	per cent

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

Hong Kong, 8 April 2010

The exchange rate adopted in this announcement, for illustration purposes only, is US\$1.00 = HK\$7.7519.

As at the date of this announcement, the Board comprises two executive Directors, namely, Dr. Li Zhong Yuan and Mr. Zhou Bao Yi; one non-executive Director, namely, Mr. Martin Treffer; and three independent non-executive Directors, namely, Mr. Mu Xiangming, Mr. Jiang Bo and Dr. Yan Shi Yun.