

CHINA HEALTHCARE LIMITED

(Registration No. 200202500K)
(Incorporated in the Republic of Singapore)

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE (“RIGHTS ISSUE”) OF UP TO 53,024,850 NEW SHARES (“RIGHTS SHARES”) IN THE CAPITAL OF CHINA HEALTHCARE LIMITED (“COMPANY”) AT AN ISSUE PRICE OF S\$0.118 FOR EACH RIGHTS SHARE AND ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TEN (10) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE (AS DEFINED BELOW) TO BE DETERMINED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

Introduction

The Board of Directors (the “**Directors**”) of China Healthcare Limited (the “**Company**”) wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (“**Rights Issue**”) of up to 53,024,850 new shares (“**Rights Shares**”) at an issue price of S\$0.118 for each Rights Share, on the basis of three (3) Rights Shares for every ten (10) existing ordinary shares (“**Shares**”) in the capital of the Company held by shareholders (the “**Shareholders**”) of the Company as at a time and date to be determined by the Directors for the purpose of determining the entitlements of Shareholders under the Rights Issue (the “**Books Closure Date**”), fractional entitlements to be disregarded.

The Company has appointed Asian Corporate Advisors Pte. Ltd. as the manager (the “**Manager**”) for the Rights Issue.

Proposed Principal Terms of the Rights Issue

The Company is proposing the Rights Issue at an issue price of S\$0.118 for each Rights Share to Shareholders whose registered addresses with the Company or The Central Depository (Pte) Limited (the “**CDP**”), as the case may be, are in Singapore as at the Books Closure Date, or who have, at least five (5) market days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents (the “**Entitled Shareholders**”). The Rights Issue will be made on a basis of three (3) Rights Shares for every ten (10) Shares held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

The issue price of S\$0.118 for each Rights Share represents a discount of approximately 54.6% from the last transacted price of S\$0.260 for each Share on Catalist (being the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System (“**SGX Sesdaq**”), which was renamed with effect on 17 December 2007) (“**SGX Catalist**”) on 12 December 2007, being the latest market day preceding the date of this announcement, wherein the Shares were traded on the SGX Sesdaq.

Entitled Shareholders will be entitled to participate in the Rights Issue and receive the offer information statement to be issued in connection with the Rights Issue (“**Offer Information Statement**”) together with the appropriate application forms and accompanying documents at their respective Singapore addresses.

Entitled Shareholders will be at liberty to accept, decline or otherwise renounce or trade their provisional allotments of the Rights Shares and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Shares. Fractional entitlements to the Rights Shares will be disregarded in arriving at the Shareholders' entitlements and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications for Rights Shares (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of excess Rights Shares, preference will be given to Shareholders for rounding of odd lots, and substantial Shareholders, if any, and Directors will rank last in priority.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Rights Shares will not be offered to Foreign Shareholders (as defined below). The Offer Information Statement to be issued by the Company in connection with the Rights Issue and its accompanying documents have not been and will not be despatched to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who had not, at least five (5) Market Days prior to the Books Closure Date, provided to CDP, addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**"). If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotment of the Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the SGX Catalist as soon as practicable and the net proceeds arising therefrom will be pooled and distributed to the Foreign Shareholders provided that the net proceeds to be distributed to any single Foreign Shareholder is at least S\$10.00.

The Rights Shares are payable in full upon acceptance and/or application. The Rights Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Shares of the Company, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Rights Shares.

As at the date of this Announcement, no options to purchase Shares have been granted to the Company pursuant to the China Healthcare Employees' Share Option Scheme. Based on the issued share capital of 176,749,500 Shares, 53,024,850 Rights Shares would be issued pursuant to the Rights Issue, representing approximately 30% of the issued share capital of the Company.

The terms and conditions of the Rights Issue are subject to such changes as the Directors, after consultation with the Manager, may deem fit. The final terms and conditions of the Rights Issue will be contained in the offer information statement to be issued by the Company in connection with the Rights Issue (the "**Offer Information Statement**"). The Offer Information Statement to be issued in relation to and for the purposes of the Rights Issue and the accompanying documents will not be mailed outside Singapore.

Purpose of the Rights Issue and Use of Proceeds

The estimated net proceeds (the "**Net Proceeds**") of the Rights Issue, after deducting estimated expenses, of up to approximately S\$6.0 million will be utilised as described herein. The Company intends to utilise up to approximately S\$1.5 million of the Net Proceeds for the expansion of the Group's local operations, and up to approximately S\$3.5 million of the Net Proceeds for the expansion of the Group's overseas business. The balance, if any, of the Net Proceeds will be used for working capital purposes.

As and when any significant amount of the Net Proceeds is deployed, the Company will make the necessary announcements and subsequently provide a status report on the use of such Net Proceeds in its annual report. Pending the deployment of the Net Proceeds for the use identified above, the Net Proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

Undertakings

To demonstrate their commitment to the Company, Econ Medicare Centre Holdings Pte Ltd, Mr Ong Chu Poh, Mr Teo Kee Bock and Mdm Koh Hin Ling (the "**Undertaking Shareholders**") who each directly hold 67,756,133, 12,114,850, 7,000,000 and 2,700,017 Shares representing 38.33%, 6.85%, 3.96% and 1.53% of the existing issued share capital of the Company respectively as at the date of this announcement, have each separately and irrevocably provided undertakings ("**Irrevocable Undertakings**") that it/he/she will, *inter alia*:-

- (a) subscribe for and/or procure subscriptions and payment for its/his/her respective pro-rata entitlement to the Rights Shares, based on its/his/her shareholding as at the respective dates for the undertakings being an aggregate of 26,871,299 Rights Shares); and
- (b) prior to the date for the issuance of the Rights Shares, each of the Undertaking Shareholder shall ensure that none of the Shares held by it/him/her as at the respective dates of the undertakings are disposed of.

Depending on the level of subscription for the Rights Shares, each of the Undertaking Shareholders has agreed to reduce or allow the Company to reduce its/his/her application for the Rights Shares to avoid placing it/him/her in a position of incurring a mandatory general offer obligation under the Singapore Code on Take-overs and Mergers in the event that the Rights Issue is not fully subscribed.

In view of the above undertakings and the savings in costs by the Company in respect of underwriting fees for a non-underwritten rights issue, the Company has decided to proceed with the Rights Issue on a non-underwritten basis.

Update on the use of proceeds from placement

The Company is pleased to inform Shareholders that pursuant to the placement (the "**Placement**") announced on the 26 June 2007, the Company has utilised approximately S\$720,000 of the proceeds from the Placement for the upgrading of the Group's existing Medicare Centres and hospitals and approximately S\$2.03 million of the Proceeds from the Placement for working capital. The balance of approximately S\$2.28 million of the proceeds from the Placement had been earmarked for the upgrading of the Group's existing Medicare Centres and hospitals, and further announcements will be made upon its utilisation.

Approvals

The Rights Issue is subject to, *inter alia*:-

- (a) the in-principle approval of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the listing of and quotation for the Rights Shares on the SGX Catalyst. An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Rights Shares. An appropriate announcement on the outcome of the application will be made in due course; and
- (b) the lodgement of the Offer Information Statement with the Monetary Authority of Singapore.

Responsibility Statement

The Directors (including those who may have been delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

By Order of the Board

Ong Chu Poh
Group Chairman & CEO
China Healthcare Limited

Singapore, 17 December 2007