

ACQUISITION OF SHARES IN WEST POINT FAMILY HOSPITAL PTE LTD

1. Introduction

The Board of Directors of China Healthcare Limited (the "*Company*") is pleased to announce that the Company had on 1 September 2006 entered into a sale and purchase agreement ("*SPA*") with Thomson Medical Centre Limited ("*Vendor*") to acquire 2,000,000 shares in West Point Family Hospital Pte. Ltd. ("*WPFH*"), comprising 50.89% of the issued share capital in WPFH ("*Share Acquisition*"), and to take an assignment of a loan of \$1,000,000 owing from WPFH to the Vendor ("*TMC Loan Acquisition*") (together, "*Acquisition*").

The Company currently owns 1,930,000 shares in WPFH, comprising 49.11% of the issued share capital in WPFH. Upon the completion of the Share Acquisition, the Company will hold 100% of the issued share capital in WPFH.

2. Information on West Point Family Hospital Pte Ltd

WPFH owns the West Point Family Hospital, a general acute care hospital located in Western Singapore ("*Hospital*"). The Hospital provides a wide range of facilities for step-down rehabilitation therapy, including occupational therapy and physiotherapy. The Hospital also provides 24-hour outpatient clinic services to the community in Western Singapore. WPFH has recently successfully obtained a 30-year lease extension from JTC in relation to the lease of the land on which the Hospital is situated.

3. Valuation and Purchase Consideration

The total purchase consideration for the Share Acquisition is \$950,000 and the total purchase consideration for the TMC Loan Acquisition is \$1,000,000 (together, "*Purchase Consideration*"). The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after arm's length negotiations. In relation to the Share Acquisition, the consideration took into account the net asset value of WPFH as at 31 July 2006 of \$0.3 million and the latest available valuation of the Hospital on 19 June 2006 by an independent valuer commissioned by WPFH of \$8 million based on its open market value. In relation to the TMC Loan Acquisition, the purchase consideration represents the amount outstanding on the loan due from WPFH to the Vendor pursuant to a shareholder's loan extended by the Vendor to WPFH.

The Purchase Consideration shall be payable to the Vendor on 8 September 2006 as follows, subject to there being no prior breach of any warranty, representation or undertaking on the part of the Vendor:-

- (a) a sum of \$950,000 to be paid by way of a cashier's order or in such other manner as may be agreed by the Company and the Vendor in writing; and
- (b) a sum of \$1,000,000 to be paid by way of a promissory note due and payable on 31 October 2006.

The Purchase Consideration will be funded by the Company's internal resources and bank borrowings.

4. Salient Terms of the SPA

The SPA does not contain any conditions precedent or conditions subsequent.

5. Rationale and Benefits of the Acquisition

The Acquisition is in line with the Company's objective to grow its rehabilitation healthcare service business in Singapore.

With 100% control of the Hospital, a general acute care hospital with a wide range of rehabilitation services, the Company anticipates increased synergy with its medicare centres and nursing homes, particularly with respect to database management and resources allocation.

The Company is the party responsible for the management of WPFH on a day-to-day basis pursuant to the management agreement dated 23 June 2003. As a result of the Acquisition, there will be no change to the management of WPFH.

6. Financial Effects of the Acquisition

WPFH's operating loss for the financial year ended 31 March 2006 on a proforma basis is \$0.5 million, due mainly to decreased availability of beds during the 5-month renovation period. The proforma loss before tax attributable to the additional 50.89% stake in WPFH compared to the Group's profit before tax is 41%.

For illustrative purposes only, assuming that the Acquisition had been completed on 1 April 2005, based on the Company's 100% share of WPFH's unaudited profit after tax for the period from 1 April 05 to 31 March 06 on a proforma basis, the Group's earnings per share ("**EPS**") is as follows:-

	Audited	Proforma (assuming the Acquisition had been completed on 1 April 2005)
Basic and diluted EPS based on net profit for the financial year ended 31 March 2006	0.18 cents	0.38 cents*

**The fair values assigned to the assets acquired and liabilities assumed as a result of the Acquisition are determined only provisionally and adjustments may be required to be made to the provisional values of the acquired assets and liabilities within twelve months of the Acquisition in accordance with paragraph 62 of Singapore Financial Standards 103 – Business Combinations (FRS 103).*

Assuming that the Acquisition had been completed at the end of the financial year ended on 31 March 2006, the net tangible assets (“*NTA*”) of the Group, based on the audited consolidated financial statements for the financial year ended 31 March 2006 is as follows:-

	Audited	Proforma (assuming the Acquisition had been completed on 31 March 2006)
NTA	13.59 cents	14.79 cents**

** The increase in NTA per share is due to:

- (i) Excess of \$0.6 million in respect of the net fair value of the assets and liabilities acquired as a result of the Acquisition over the purchase consideration in accordance with paragraph 56(b) of FRS 103; and
- (ii) Adjustment to the fair value of \$1.4 million relating to previously held interests of 49.11% by the Company in WPFH in accordance with paragraph 59 of FRS 103.

The aggregate value of the consideration represents 5.4% of the Company’s market capitalization as of 31 August 2006 (based on the weighted average price transacted on the market day preceding the date of the SPA).

The Acquisition is not a transaction that requires the approval of the Company’s shareholders under the bases provided in clause 1006 of the SGX-ST Listing Manual.

7. Acquisition is in the Ordinary Course of the Company’s Business

The Directors of the Company are of the view that the Acquisition is in the ordinary course of the Company’s business for the following reasons:-

- (a) the Acquisition is merely an expansion of the Company’s existing core business through the acquisition of a similar healthcare business in WPFH, of which the Company already owns 49.11%;
- (b) the relative ratios in connection with the Acquisition pursuant to Rule 1006 of the SGX-ST’s Listing Manual are less than 100%. The Acquisition will therefore not increase the scale of the Company’s existing operations significantly;
- (c) there will be no change in control of the Company; and
- (d) the Acquisition will not have a significant adverse impact on the Company’s earnings, working capital and gearing.

8. Interest of the Directors and Substantial Shareholders

None of the Directors of the Company has any interest, direct or indirect, in the Acquisition, and the Directors are not aware of any substantial shareholders of the Company having any direct or indirect interest in the Acquisition and have not received any notification of interest in the Acquisition from any substantial shareholders of the Company.

9. Documents Available for Inspection

A copy of the SPA will be made available for inspection by shareholders of the Company from 9.00 a.m. to 5.30 p.m. at the Company's registered office at 452 Upper East Coast Road, Singapore 466500, for a period of three (3) months from the date of this announcement.

By order of the Board

Ong Chu Poh
Group Chairman and Chief Executive Officer
Singapore, 7 September 2006