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China Animal Healthcare Ltd.

中國動物保健品有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0940)

**RENEWAL OF THE CONTINUING CONNECTED
TRANSACTIONS – LEASE (RENEWAL) AGREEMENTS**

THE LEASE (RENEWAL) AGREEMENTS

Reference is made to the announcement of the Company dated 24 December 2013 in relation to, among others, the Existing Lease Agreements entered into between the Lessees and Lessors on 22 January 2013. As all the Existing Leases Agreements have expired on 31 December 2014, the Lessees entered into the Lease (Renewal) Agreements with the Lessors on 5 January 2015. Pursuant to the Lease (Renewal) Agreements, the Lessors agreed to lease the Leased Properties to the Lessees for a term of 1 year commencing from 1 January 2015 to 31 December 2015.

Terms and conditions under each of the Lease (Renewal) Agreements are basically the same as the terms and conditions under the Existing Lease Agreements, except for the existing lease agreement with Hebei Qingshanhong was not renewed.

As at the dated of this announcement, (1) Beijing Haichengruian is 75%-owned by Ms. Li and 25%-owned by Mr. Wang, (2) Shenzhou Pagina Animal Drugs is wholly owned by Mr. Wang, and (3) Shijiazhuang Maidisen is 75.90%-owned by Mr. Wang and 24.10%-owned by Ms. Li. As such, all the Lessors are associates of Mr. Wang and Ms. Li and connected persons of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules and having considered that as the subject matters of the various Lease (Renewal) Agreements are of the same nature and the relevant counter party is controlled by Mr. Wang and Ms. Li, the transactions under all the Lease (Renewal) Agreements should be aggregated. It is anticipated that the aggregated annual caps for the year ending 31 December 2015 is approximately RMB9.83 million. As all applicable percentage ratios after aggregation are more than 0.1% but less than 5%, the transactions under the Lease (Renewal) Agreements after aggregation are only subject to the annual review, reporting and announcement requirements and are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

LEASE (RENEWAL) AGREEMENTS

Background

Reference is made to the announcement of the Company dated 24 December 2013 in relation to, among others, the Existing Lease Agreements entered into between the Lessees and Lessors on 22 January 2013. As all the Existing Leases Agreements have expired on 31 December 2014, the Lessees entered into the Lease (Renewal) Agreements with the Lessors on 5 January 2015. Pursuant to the Lease (Renewal) Agreements, the Lessors agreed to lease the Leased Properties to the Lessees for the term of 1 year commencing from 1 January 2015 to 31 December 2015.

Terms and conditions under each of the Lease (Renewal) Agreements are basically the same as the terms and conditions under the Existing Lease Agreements, except for the existing lease agreement with Hebei Qingshanhong was not renewed.

Lessor	Lessee	Leased Properties	Duration of Lease	g.f.a. of Leased Properties (m2)	Annual Rental (RMB)
Shijiazhuang Maidisen Animal	Hebei Biwei	Specified parts of Shijiazhuang Properties	1 January 2015 to 31 December 2015	2,213.1	770,000

Shijiazhuang Maidisen Animal	Shijiazhuang Maidisenda	Specified parts of Shijiazhuang Properties	1 January 2015 to 31 December 2015	2,213.1	770,000
Shijiazhuang Maidisen Animal	Shijiazhuang Lixinkang	Specified parts of Shijiazhuang Properties	1 January 2015 to 31 December 2015	451.4	170,000
Shijiazhuang Maidisen Animal	Shijiazhuang Greenxinkan g	Specified parts of Shijiazhuang Properties	1 January 2015 to 31 December 2015	451.4	170,000
Shijiazhuang Maidisen Animal	Shijiazhuang Keruida	Specified parts of Shijiazhuang Properties	1 January 2015 to 31 December 2015	451.4	170,000
Shijiazhuang Maidisen Animal	Hebei Geruisi	Specified parts of Shijiazhuang Properties	1 January 2015 to 31 December 2015	451.4	170,000
Shijiazhuang Maidisen Animal	Hebei Runshengzh ongfu	Specified parts of Shijiazhuang Properties	1 January 2015 to 31 December 2015	2,222.9	770,000
Shijiazhuang Maidisen Animal	Shijiazhuang Aoxin	Specified parts of Shijiazhuang Properties	1 January 2015 to 31 December 2015	451.4	170,000
Shijiazhuang Maidisen	Shijiazhuang Sikede	Specified parts of	1 January 2015 to 31	2,213.1	770,000

Animal		Shijiazhuang Properties	December 2015		
Shenzhou Pagina Animal Drugs	Shenzhou Pagina-kang	Shenzhou Properties	1 January 2015 to 31 December 2015	4,374.3	800,000
Beijing Haichenruian	Beijing Healthcare	Beijing Property 1	1 January 2015 to 31 December 2015	8,000	4,500,000
Beijing Haichengruian	Beijing Jianxianghe mu	Beijing Property 2	1 January 2015 to 31 December 2015	2,000	600,000
				Total Rent:	9,830,000

According to the Lease (Renewal) Agreements, the Lessees are granted: (a) a call option to purchase the relevant Leased Properties from the relevant Lessors of such Leased Properties (purchase price of the selected Leased Properties will be determined based on an assessment of the market price of such selected Leased Properties by independent property valuer(s) appointed by the relevant Lessee); and (b) an option to renew the Lease Agreements upon their expiration.

In addition to the above, in the event where a Lessor under the respective Lease (Renewal) Agreements is no longer entitled to lease the relevant Leased Properties in accordance with the terms of the Lease (Renewal) Agreements, such Lessor shall use its best endeavours to ensure and/or procure that such Lessee may continue to use the relevant Leased Properties on terms no worsen than that under the Lease (Renewal) Agreements and compensate such Lessee for all losses and costs incurred by the Lessee as a result of the loss of such entitlement. Further, without the prior written consent of the relevant Lessee, such Lessor has also agreed (a) not to lease such Leased Property to any third-party during the term of the relevant Lease (Renewal) Agreements and, (b) not to create any encumbrances over such Leased Property. The Lessors have also agreed to procure that, in the event of a transfer, the new lessors will be bound by the terms of the Lease (Renewal) Agreements.

Historical transaction value

For each of the year ending 31 December 2013, 2014, the aggregated rental paid by the Lessees under the Existing Lease Agreements to approximately RMB10.6 million, RMB10.6 million respectively, and the previous proposed cap amounts for each of the two years ending 31 December 2013, 2014 are RMB10.6 million, RMB10.6 million respectively.

Proposed annual caps and basis for determining the annual caps

The proposed annual caps for the Leasing Agreements for the year ending 31 December 2015 is RMB9.83 million, being the aggregated annual rental agreed to be paid by the Lessees to the Lessors under the Lease (Renewal) Agreements.

The annual rentals under the Lease (Renewal) Agreements are decided with reference to (1) the historical transaction value of the Existing Leasing Agreements; and (2) the prevailing market rates of comparable properties in the same area.

Reasons for and benefits of entering into the Lease (Renewal) Agreements

As at the date of this announcement, most of the properties used by the Lessees are leased by the Lessors and are mainly used as manufacturing facilities and administrative premises. During the term of the Lease (Renewal) Agreements, the use of Leased Properties will remain unchanged. The locations and area of the Leased Properties are considered favourable and appropriate by the Lessees for the functions discussed above. The entering into the Lease (Renewal) Agreements can ensure the continuous availability of the Leased Properties to satisfy the respective needs of the relevant Lessees.

The Directors (including the independent non-executive Directors) are of the view that the Lease (Renewal) Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business and that the terms of the Lease (Renewal) Agreements and the proposed annual caps for Leasing (Renewal) Agreements for the year ending 31 December 2015 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules implications

As at the dated of this announcement, (1) Beijing Haichengruian is 75%-owned by Ms. Li and 25%-owned by Mr. Wang, (2) Shenzhou Pagina Animal Drugs is wholly owned by Mr. Wang, and (3) Shijiazhuang Maidisen is 75.90%-owned by Mr. Wang and 24.10%-owned by Ms. Li. As such, all the Lessors are connected person of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules and having considered that as the subject matters of the Lease (Renewal) Agreements are of the same nature and the relevant counter party is controlled by Mr. Wang and Ms. Li, the transactions under all the Lease (Renewal) Agreements should be aggregated. It is anticipated that the aggregated annual cap for the year ending 31 December 2015 is approximately RMB9.83 million. As all applicable percentage ratios after aggregation are more than 0.1% but less than 5%, the transactions under the Lease (Renewal) Agreements after aggregation are only subject to the annual review, reporting and announcement requirements and are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The principal business activities of the Group, which is based in the PRC, are the manufacture, sale and distribution of compound chemical and biological drugs for use in the animal healthcare industry in Hong Kong and the PRC.

The principal business activities of Shijiazhuang Maidisen Animal are technical development, consultation and service in relation to animal healthcare products; lease of properties.

The principal business activities of Beijing Haichenruian are technical development, transfer, consultation and services; sell of self-developed products; lease of self-owned offices; investment.

The principal business activities of Shenzhou Pagina Animal Drugs are consultation services in relation to veterinary drug.

DEFINITIONS

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

- “associate(s)” : has the meaning ascribed to it under the Listing Rules
- “Beijing Haichenruian” : Beijing Haichenruian Technology Co. Ltd (北京海辰瑞安科技有限公司), a company incorporated in the PRC on 19 June 2002 and 75%-owned by Ms. Li and 25%-owned by Mr. Wang, as at the date of this announcement
- “Beijing Healthcare” : Beijing Healthcare Technology Co., Ltd. (北京海思科瑞科技有限公司), a company incorporated in the PRC on 31 January 2005 and a wholly-owned subsidiary of Evanton as at the date of this announcement
- “Beijing Healthcare Lease Agreement” : an agreement dated 5 January 2015 entered into between the Beijing Haichengruian and Beijing Healthcare in connection with the leasing of Beijing Property 1 from 1 January 2015 to 31 December 2015
- “Beijing Jianxianghemu” : Beijing Jianxiang Hemu Biological Technology Limited (北京健翔和牧生物科技有限公司), a company incorporated in the PRC on 10 January 2007 and a wholly-owned subsidiary of Shijiazhuang Maidisenda as at the date of this announcement
- “Beijing Jianxianghemu Lease Agreement” : an agreement dated 5 January 2015 entered into between the Beijing Haichengruian and Beijing Jianxianghemu in connection with the leasing of Beijing Property 2 from 1 January 2015 to 31 December 2015
- “Beijing Property 1” : the buildings situated at No. 75, Beijing Economic-Technological Development Area (北京經濟開發區), Beijing, PRC and the land on which such buildings are situated

“Beijing Property 2”		The office situated at Room 208, No. 6, situated at Beijing Economic-Technological Development Area (北京經濟開發區), Beijing, PRC
“Board”	:	the board of Directors
“Company”	:	China Animal Healthcare Ltd. (中國動物保健品有限公司*), a limited liability company incorporated in Bermuda on 10 August 2000, the Shares of which are listed on the Stock Exchange (Stock Code: 940)
Connected Person(s)”	:	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder”	:	has the meaning ascribed to it under the Listing Rules
“Existing Lease Agreements”	:	the 13 existing tenancy agreements of the original leased properties entered into between the Lessors and the Lessees on 22 January 2013, all of which were expired on 31 December 2014. Details can be found in the announcement of the Company dated 24 December 2013
“Evanton”	:	Evanton Pte. Ltd. (伊萬頓有限公司), a company incorporated in Singapore on 8 October 2004 and a wholly-owned subsidiary of the Company as at the date of this announcement
“Group”	:	the Company and its subsidiaries
“Hebei Biwei”	:	Hebei Biwei Science Technology Co., Ltd. (河北畢威科技有限公司), a company incorporated in the PRC on 28 October 2005 and a wholly-owned subsidiary of Evanton as at the date of this announcement
“Hebei Biwei Lease Agreement”	:	an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Hebei Biwei in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015

- “Hebei Geruisi” : Hebei Geruisi Animal Medicine Company Limited (河北格瑞斯動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and 75%-owned by Beijing Healthcare and 25%-owned by Evanton as at the date of this announcement
- “Hebei Geruisi Lease Agreement” : an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Hebei Geruisi in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015
- “Hebei Qingshanhong” : Hebei Qingshanhong Animal Medicine Company Limited (河北青山紅動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and 1.09%-owned by Beijing Healthcare and 98.91%-owned by Evanton as at the date of this announcement
- “Hebei Runshengzhongfu” : Hebei Runshengzhongfu Animal Medicine Company Limited (河北潤生中福動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and 1.04%-owned by Beijing Healthcare and 98.96%-owned by Evanton as at the date of this announcement
- “Hebei Runshengzhongfu Lease Agreement” : an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Hebei Runshengzhongfu in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015
- “Hongbo Animal Husbandry” : Hebei Hongbo Animal Husbandry Limited (河北宏博牧業有限公司), a company incorporated in the PRC which is 97% owned by Mr. Wang
- “Hong Kong” : the Hong Kong Special Administrative Region of the PRC
- “Leased Properties” : the 12 leased properties under the Lease (Renewal) Agreements, all of which commenced from 1 January 2015 to 31 December 2015

“Lease (Renewal) Agreements”	:	12 lease agreements, namely the Hebei Biwei Lease Agreement, Shijiazhuang Maidisenda Lease Agreement, Shijiazhuang Lixinkang Lease Agreement, Shijiazhuang Greenxinkang Lease Agreement, Shijiazhuang Keruida Lease Agreement, Hebei Geruisi Lease Agreement, Hebei Runshengzhongfu Lease Agreement, Shijiazhuang Aoxin Lease Agreement, Shijiazhuang Sikede Lease Agreement, Shenzhou Pagina-kang Lease Agreement, Beijing Healthcare Lease Agreement and Beijing Jianxianghemu Lease Agreement, all dated 5 January 2015
“Lessees”	:	collectively, the lessees under the Lease (Renewal) Agreements, namely, Hebei Biwei, Shijiazhuang Maidisenda, Shijiazhuang Lixinkang, Shijiazhuang Greenxinkang, Shijiazhuang Keruida, Hebei Geruisi, Hebei Runshengzhongfu, Shijiazhuang Aoxin, Shijiazhuang Sikede, Shenzhou Pagina-kang and Beijing Healthcare
“Lessors”	:	collectively, the lessors under the Lease (Renewal) Agreements, namely, Shijiazhuang Maidisen Animal, Shenzhou Pagina Animal Drugs and Beijing Haichengruian
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Mr. Wang”	:	Mr. Wang Yangang (王彦刚), the chairman, chief executive officer, executive Director and spouse of the Ms. Li
“Ms. Li”	:	Ms. Li Chunhua (李春花), spouse of Mr. Wang and controlling Shareholder of the Company
“percentage ratios”	:	has the same meaning as defined under the Listing Rules
“PRC”	:	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Taiwan and Macau

“RMB”	:	Renminbi, the lawful currency of the PRC
“Share(s)”	:	the Company’s ordinary shares with a nominal value of HK\$0.1 each
“Shareholder(s)”	:	holder(s) of the Shares
“Shenzhou Pagina Animal Drugs”	:	Shenzhou Pagina Animal Drugs Technologies Consultancy and Service Co., Ltd. (深州保吉安獸藥技術諮詢服務有限公司), previously known as Shenzhou Pagina Animal Drugs Company Ltd., a company incorporated in the PRC on 20 May 2003, which is wholly-owned by Mr. Wang as at the date of this announcement
Shenzhou Pagina-kang	:	Shenzhou Pagina-kang Technology Co., Ltd (深州保吉安康科技有限公司), a company incorporated in the PRC on 24 January 2005 and is a wholly-owned subsidiary of the Evanton as at the date of this announcement
“Shenzhou Pagina-kang Lease Agreement”	:	an agreement dated 5 January 2015 entered into between the Shenzhou Pagina Animal Drugs and Shenzhou Pagina-kang in connection with the leasing of specified parts of Shenzhou Properties from 1 January 2015 to 31 December 2015
“Shenzhou Properties”	:	the buildings situated at Weier Road, Shenzhou Industrial Park* (深州工業城), Shenzhou, PRC and the land on which such buildings are situated
“Shijiazhuang Aoxin”	:	Shijiazhuang Aoxin Animal Medicine Company Limited (石家莊澳信動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and 75%-owned by Beijing Healthcare and 25%-owned by Evanton as at the date of this announcement

- “Shijiazhuang Aoxin Lease Agreement” : an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Shijiazhuang Aoxin in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015
- “Shijiazhuang Greenxinkang” : Shijiazhuang Greenxinkang Animal Medicine Company Limited (石家莊綠欣康動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and 75%-owned by Beijing Healthcare and 25%-owned by Evanton as at the date of this announcement
- “Shijiazhuang Greenxinkang Lease Agreement” : an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Shijiazhuang Greenxinkang in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015
- “Shijiazhuang Keruida” : Shijiazhuang Keruida Animal Medicine Company Limited (石家莊科瑞達動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and 75%-owned by Beijing Healthcare and 25%-owned by Evanton as at the date of this announcement
- “Shijiazhuang Keruida Lease Agreement” : an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Shijiazhuang Keruida in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015
- “Shijiazhuang Lixinkang” : Shijiazhuang Lixinkang Animal Medicine Company Limited (石家莊利欣康動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and 75%-owned by Beijing Healthcare and 25%-owned by Evanton as at the date of this announcement

- “Shijiazhuang Lixinkang Lease Agreement” : an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Shijiazhuang Lixinkang in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015
- “Shijiazhuang Maidisen Animal” : Shijiazhuang Maidisen Animal Healthcare Company Limited (石家莊麥迪森動物保健品有限公司), a company incorporated in the PRC on 2 July 2003, which 75.90%-owned by Mr. Wang and 24.10%-owned by Ms. Li as at the date of this announcement
- “Shijiazhuang Maidisenda” : Shijiazhuang Maidisenda Animal Medicine Company Limited (石家莊麥迪森達動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and 1.09%-owned by Beijing Healthcare and 98.91%-owned by Evanton as at the date of this announcement
- “Shijiazhuang Maidisenda Lease Agreement” : an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Shijiazhuang Maidisenda in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015
- “Shijiazhuang Properties” : the buildings situated at No. 148, Xinyanshan Street, Shijiazhuang High-Tech Industrial Development Zone (石家莊高新技術產業開發區), Shijiazhuang, Hebei Province, PRC and the land on which such buildings are situated
- “Shijiazhuang Sikede” : Shijiazhuang Sikede Animal Medicine Company Limited (石家莊思科德動物藥業有限公司), a company incorporated in the PRC on 3 March 2005 and is 98.90%-owned by Evanton and 1.10%-owned by Beijing Healthcare as at the date of this announcement

“Shijiazhuang Sikede Lease Agreement”	:	an agreement dated 5 January 2015 entered into between the Shijiazhuang Maidisen Animal and Shijiazhuang Sikede in connection with the leasing of specified parts of Shijiazhuang Properties from 1 January 2015 to 31 December 2015
“subsidiary(ies)”		has the meaning ascribed to it under the Listing Rules
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“%”	:	per cent

By order of the Board
China Animal Healthcare Ltd.
Wang Yangang
*Chairman, Executive Director
and Chief Executive Officer*

Hong Kong, 15 June 2015

As at the date of announcement, the executive Directors of the Company are Mr. Wang Yangang, Mr. Sun Jinguo and Mr. Li Jun; non-executive Directors are Mr. Alberto Riva, Dr. Ying Du and Mr. Goh Kay Seng Edwin; and the independent non-executive Directors are Mr. Cai Huiyi, Mr. Liang Hsien Tse Joseph and Mr. Liu Zhanmin.

** For identification purpose only*