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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)  
(Hong Kong Stock code: 0940)

- (1) UPDATE ON THE PROGRESS OF THE FORENSIC INVESTIGATION**
- (2) NON-PUBLICATION OF MANAGEMENT ACCOUNTS**
- (3) UPDATE ON THE BUSINESS OPERATIONS**
- (4) CONTINUAL SUSPENSION OF TRADING**

This announcement is made by China Animal Healthcare Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

#### **(1) UPDATE ON THE PROGRESS OF THE FORENSIC INVESTIGATION**

References are made to the announcements of the Company dated 10 July 2015, 23 October 2015, 30 October 2015, 30 November 2015, 28 December 2015, 30 December 2015, 1 February 2016, 3 March 2016, 5 April 2016 and 4 May 2016 (the “**Previous Announcements**”) in relation to, among other things, the Forensic Investigation and the suspension of trading of the shares of the Company. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as defined in the Previous Announcements.

The Board wishes to provide an update on the progress of the Forensic Investigation.

As at the date of this announcement, the field work, on-site investigation and other works in relation to the Forensic Investigation are still on-going.

As disclosed in the announcements of the Company dated 28 December 2015 and 30 December 2015 respectively, the financial documents for the four financial years ended 31 December 2014 and for the current year which were stored in Shijiazhuang were lost. Owing to the Incident, the Forensic Accountants are actively reconstructing certain books and records of the Group and obtaining alternative or secondary information or confirmations within the Group or from third parties. The progress has taken longer than it was originally expected, as the degree of cooperation from third parties and the timing of provision of relevant information and confirmations by them can hardly be controlled by the Company or the Forensic Accountants.

Further, in March 2016, there has been a change of the key personnel of the Company who is responsible for providing relevant information and documents to the Forensic Accountants and coordinating the Forensic Investigation as a whole. The new personnel therefore required time to familiarise herself with the document filing and data storage system, as well as the financial reporting environment of the Company. As such, the progress of the Forensic Investigation has to a certain extent been hampered over the past two months. The Board ensures that the new personnel is working closely and cooperating fully with the Forensic Accountants to expedite the Forensic Investigation.

The Forensic Accountants estimate that, subject to the availability and readiness of the required information and documents during the review, the independent forensic review will be completed by the fourth quarter of 2016.

The Company will make further announcement(s) to update the Shareholders of the progress of the Forensic Investigation as and when appropriate.

## **(2) NON-PUBLICATION OF MANAGEMENT ACCOUNTS**

References are made to the announcements of the Company dated 5 April 2016 and 4 May 2016 respectively in relation to, inter alia, the reasons for the delay in the

publication of the 2014 Annual Results, 2015 Interim Results, 2015 Annual Results, 2014 Annual Report, 2015 Interim Report and 2015 Annual Report.

The Company will use its best endeavours to publish the 2014 Annual Results, 2015 Interim Results, 2015 Annual Results, 2014 Annual Report, 2015 Interim Report and 2015 Annual Report to the shareholders of the Company as soon as possible. Further announcement(s) will be made to inform the shareholders of the Company on the date of release of the above as and when appropriate.

Rule 13.49(3) of the Listing Rules provides that where an issuer is unable to issue its preliminary results, it must announce its results based on the financial results which have yet to be agreed with the auditor (so far as the information is available). The Board has decided, after due and careful consideration, that it would not be appropriate for the Company to publish the unaudited management accounts for the year ended 31 December 2015 (the “**2015 Unaudited Management Accounts**”) at this time as it is expected that there would be significant accounting adjustments on the 2015 Unaudited Management Accounts and hence may not accurately reflect the financial performance and position of the Group.

In particular, as a result of the Revocation as stated in the announcement of the Company dated 23 October 2015, significant accounting adjustments, including but without limitation to:- (1) adjustments on the sale, inventories and profit due to, *inter alia*, the cancellation of orders for chemical products and the return of the relevant chemical products by the customers of the Group; (2) potential impairment on the assets of the relevant subsidiaries (including impairment on inventories of the relevant chemical products of the Group which can no longer be sold as a result of the Revocation and impairment on the fixed assets such as machinery and equipment of the relevant subsidiaries); and (3) contingent liabilities which may arise from breaches of contracts as a result of the Revocation, would have to be made in the financial statements of the Group for the financial years ended 31 December 2014 and 31 December 2015 respectively (“**FY2014**” and “**FY2015**” respectively). All these accounting adjustments would have impact on the figures of profit or loss, assets and liabilities of the financial statements of the Group for FY2014 and FY2015. The Board is therefore of the view that the publication of the 2015 Unaudited Management Accounts at this time would be misleading and confusing to the shareholders of the Company and potential investors.

### (3) UPDATE ON THE BUSINESS OPERATIONS

Notwithstanding the Board's decision not to publish the 2015 Unaudited Management Accounts at this stage, and subject to the aforesaid accounting adjustments to be made, the Board hereby provides a brief update on the business operations of the Group and an estimated proportion of the Group's revenue by business activities for FY2015.

The proportion of the Group's revenue derived from the businesses of powdered form drugs and injection form drugs (collectively known as "**Chemical Drugs Business**") is estimated to decrease notably from over 50% in FY2014 to below 50% in FY2015. At the same time, the revenue derived from the business of biological drugs (known as "**Biological Drugs Business**") is estimated to increase to over 50% in FY2015.

As disclosed in the announcement of the Company dated 1 February 2016, the Group has since 2008 been adjusting its business strategy by focusing more on developing Biological Drugs Business and less on its Chemical Drugs Business. Further, the Revocation has caused a relatively large adverse impact on the Group's Chemical Drugs Business but has not affected the Biological Drugs Business. As a result of the business strategy of the Group as a whole (which has to a certain extent been accelerated by the Revocation), the Group's present overall business consists mainly of Biological Drugs Business, as reflected in the above estimated proportion of the Company's revenue by business activities for FY2015. The Group's overall business continues to develop and remains profitable and sustainable.

**The information contained in this announcement is only based on the estimates made by the management of the Group, which have not been confirmed, reviewed nor audited by the Company's auditors. The unaudited annual results of the Group for the year ended 31 December 2014, the unaudited interim results of the Group for the six months ended 30 June 2015 and the unaudited annual results of the Group for the year ended 31 December 2015 have not yet been finalized and are subject to any adjustments necessary to be made due to, among others, the aforesaid matters. The impacts of the Revocation are still being assessed and quantified as at the date of this announcement.**

**Shareholders and potential investors of the Company are advised to read carefully the 2014 Annual Results, the 2015 Interim Results and the 2015 Annual Results when available. Further announcement(s) will be made to inform the**

**Shareholders on the date of release of the 2014 Annual Results, the 2015 Interim Results and the 2015 Annual Results, as and when appropriate.**

**(4) CONTINUAL SUSPENSION OF TRADING**

At the request of the Company, the shares of the Company have been suspended from trading on the Stock Exchange from 9 a.m. on 30 March 2015. Trading in the Company's shares will continue to suspend until further notice.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

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

Hong Kong, 17 May 2016

*As at the date of announcement, the executive Directors are Mr. Wang Yangang, Mr. Li Jun and Ms. Song Yanmei; and the independent non-executive Directors are Mr. Cai Huiyi, Mr. Liu Zhanmin and Mr. Zhang Suqiang.*

*\* For identification purpose only*