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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) SPECIAL INVESTIGATION COMMITTEE

(2) DELAY IN PUBLICATION OF 2014 ANNUAL RESULTS, 2015 INTERIM RESULTS, 2015 ANNUAL RESULTS AND 2016 INTERIM RESULTS AND DESPATCH OF 2014 ANNUAL REPORT, 2015 INTERIM REPORT, 2015 ANNUAL REPORT AND 2016 INTERIM REPORT

(3) CLARIFICATION

(4) UPDATE ON RECENT DEVELOPMENT OF SUSPENSION OF TRADING

(5) 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).

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, 4 May 2016 and 17 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.

(1) SPECIAL INVESTIGATION COMMITTEE

The board of directors (“**Board**”) of the Company announces that it has recently come to the attention of the Board that there were obvious discrepancies between the year end balances of the bank statements obtained directly from the banks and those stated in the accounting records of certain subsidiaries of the Company (the “**Possible Accounting Discrepancies**”).

For the purpose of carrying out an independent and in-depth investigation into the Possible Accounting Discrepancies, the Board wishes to announce that it was resolved, *inter alia*, at a Board meeting on 14 October 2016 that:-

1. the Special Committee referred to in the announcements of the Company dated 10 June 2015 was dissolved with immediate effect;
2. a special investigation committee (the “**Special Investigation Committee**”) was established with immediate effect;
3. the membership of the Special Investigation Committee shall be made up of all the independent non-executor directors of the Company, currently Mr. Cai Huiyi, Mr. Liu Zhanmin and Mr. Zhang Suqiang;
4. Mr. Liu Zhanmin was appointed as the Chairman of the Special Investigation Committee; and
5. the powers of the Special Investigation Committee shall include:-
 - (i) conducting the investigation into the Possible Accounting Discrepancies, the Unresolved Matters and such other matters and issues as the Special Investigation Committee may deem fit (the “**Investigation**”) and overseeing the progress of the Investigation;
 - (ii) determining the scope, extent and conduct of the Investigation;
 - (iii) engaging an independent forensic accountant for the conduct of the Investigation;
 - (iv) seeking outside professional advice including but not limited to engaging legal adviser and other professional advisers as it considers appropriate; and
 - (v) making recommendations to the Board for bringing or commencing any action or other legal proceedings in the name and on behalf of the Company for seeking remedy and/or recovery of losses and damages suffered or sustained by the Company, where appropriate.

Also on 14 October 2016, the Special Investigation Committee conducted a meeting and has on behalf of the Company engaged RSM Nelson Wheeler Corporate Advisory Limited to expand the scope of the Forensic Investigation to cover the Possible Accounting Discrepancies.

The Special Investigation Committee is also in the course of selecting suitable legal adviser for the purpose of giving legal advice to the Special Investigation Committee in relation to the Possible Accounting Discrepancies and the Investigation generally.

The Board will make further announcement in relation to the progress of the Investigation and the appointment of legal adviser as and when appropriate.

(2) DELAY IN PUBLICATION OF 2014 ANNUAL RESULTS, 2015 INTERIM RESULTS, 2015 ANNUAL RESULTS AND 2016 INTERIM RESULTS AND DESPATCH OF 2014 ANNUAL REPORT, 2015 INTERIM REPORT, 2015 ANNUAL REPORT AND 2016 INTERIM REPORT

HLB Hodgson Impey Cheng Limited is in the course of performing their audit work on the Group and additional time is required before the 2014 Annual Results, 2015 Interim Results, 2015 Annual Results, 2016 Interim Results, 2014 Annual Report, 2015 Interim Report, 2015 Annual Report and 2016 Interim Report are ready. The Board therefore wishes to inform the shareholders of the Company that the publication of the 2014 Annual Results, 2015 Interim Results, 2015 Annual Results, 2016 Interim Results and the despatch of the 2014 Annual Report, 2015 Interim Report, 2015 Annual Report and 2016 Interim Report will be further delayed. 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.

(3) CLARIFICATION

The Board wishes to clarify in relation to the Incident disclosed in the announcement of the Company dated 28 December 2015 and 30 December 2015 as follows;

1. the announcement of the Company dated 30 December 2015 disclosed, *inter alia*, that:- (i) the Lost Documents are only limited to the financial documents of the Group stored in Shijiazhuang (where financial documents relating to the Group's chemical drugs are stored), and do not include those stored in Inner Mongolia and Shanxi (where financial documents relating to the Group's vaccine products are

stored); and (ii) the relevant information of the vaccine manufacturing enterprises of the Group are not affected by the Incident.

2. In fact, the financial documents of 山西隆克尔生物製藥有限公司 for the four financial years ended 31 December 2014 and for part of 2015 stored in Shanxi were also lost in the Incident. This was because in or around early December 2015, the financial documents stored in Shanxi were first delivered to Shijiazhuang by the then executive vice president of 山西隆克尔生物製藥有限公司, when he returned from Shanxi to his hometown in Shijiazhuang, for the onward transmission from Shijiazhuang to Beijing in early December 2015, together with other financial documents stored in Shijiazhuang. As such, the relevant financial documents of 山西隆克尔生物製藥有限公司 were also contained in the same lost Truck and were lost in the Incident.

(4) UPDATE ON RECENT DEVELOPMENT OF SUSPENSION OF TRADING

The Company is currently working with its advisers to take the necessary steps to fulfill the Resumption Conditions imposed by the Stock Exchange as set out in the announcement dated 10 July 2015 and, for such purpose, obtaining comments or opinions from its advisers. As at the date of this announcement, the Forensic Accountant is still in the process of conducting the Forensic Investigation. The Company will make further announcement of any material development on the above matters as and when appropriate.

(5) 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 October 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*