

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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) UPDATES ON THE FORENSIC INVESTIGATION**
- (2) UPDATES ON THE PROGRESS OF INTERNAL CONTROL REVIEW**
- (3) CONTINUING COMPLIANCE TRAINING AND PROFESSIONAL DEVELOPMENT FOR DIRECTORS**
- (4) UPDATES ON THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS**
- (5) UPDATES ON RECENT DEVELOPMENT OF SUSPENSION OF TRADING**
- (6) DISPOSAL OF SHARES BY SUBSTANTIAL SHAREHOLDER AND CHANGE OF SUBSTANTIAL SHAREHOLDER**
- (7) UPDATES ON THE WINDING UP PETITION AGAINST THE COMPANY**

This announcement is made by China Animal Healthcare Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 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 under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 26 May 2017 in relation to the winding up petition against the Company.

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, 17 May

2016, 17 October 2016, 13 January 2017, 15 February 2017, 31 March 2017 and 27 July 2017 and 22 August 2017 in relation to, among other things:- the Forensic Investigation; the Internal Control Review; the publication of 2014 Annual Results, 2015 Interim Results, 2015 Annual Results, 2016 Interim Results, 2016 Annual Results, 2014 Annual Report, 2015 Interim Report, 2015 Annual Report, 2016 Interim Report and 2016 Annual Report; and the suspension of trading of the shares of the Company.

Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as defined in the above announcements.

(1) UPDATES ON THE FORENSIC INVESTIGATION

As disclosed in the announcement dated 27 July 2017, in respect of the results of the Forensic Investigation, the Special Investigation Committee (“**SIC**”) at the meeting on 12 July 2017 resolved, amongst others, to instruct independent PRC legal advisers to consider whether the Company should take any civil action in the PRC against those former management staff of the Company who might be involved in all or some of the matters covered by the Forensic Investigation, report the matter to the Public Security Bureau in the PRC (“**PSB**”) and/or the Police in Hong Kong for their investigation.

After considering the advice from the SIC’s independent PRC legal advisers, the SIC made the following suggestions to the Board of Directors of the Company for their consideration:-

- (i) the Company should report the matter to the PSB for their investigation.
- (ii) the Company should take civil action in the PRC against certain former management staff of the Company who might have taken part in all or some of the matters covered by the Forensic Investigation.
- (iii) the Company should also seek Hong Kong legal advice as to whether the Company should commence any action or other legal proceedings in the name and on behalf of the Company in Hong Kong for seeking remedy and/or recovery of losses and damages suffered or sustained by the Company.

Upon the SIC’s recommendations, the Company took the following actions:-

(a) Reporting the matter to the Commercial Crime Bureau of Hong Kong Police

On 2 August 2017, the Company, through its Hong Kong legal advisers, reported the matter to the Commercial Crime Bureau of the Police (the “CCB”) in Hong Kong. On 10 August 2017, upon the request of CCB, the Company’s Hong Kong legal advisers attended a meeting with the CCB on 10 August 2017. The CCB subsequently contacted the Company’s Hong Kong legal advisers for further information. The Company has been recently informed that the CCB investigation has finished and they found that there is insufficient evidence to support a charge against any person. As such, there would be no prosecution action at this stage.

(b) Potential civil action in Hong Kong

The Company has sought legal advice from its legal advisers as to whether the Company should commence any action or other legal proceedings in the name and on behalf of the Company in Hong Kong for seeking remedy and/or recovery of losses and damages suffered or sustained by the Company. The Company is now considering the same and will take appropriate actions promptly, where appropriate.

(c) Reporting to the PSB

The Company instructed the Company’s PRC legal advisers to report the results of the Forensic Investigation to the PSB for their investigation. On 18 August 2017, the Company’s PRC legal advisers duly did so. On 12 September 2017, the Company’s PRC legal advisers attended the PSB branch office to answer certain inquiries by the PSB officers regarding some background and factual matters. After the inquiry, the Company’s PRC legal advisers were told by the PSB police officer (i) to keep confidential the content of the complaint and details of the PSB’s enquiries and (ii) that disclosure of the same would impede the PSB’s investigation/execution of duties; and lead to breaches of relevant legal provisions and regulations in the PRC. On 13 September 2017, the PSB accepted the case for their criminal investigation.

In relation to the instructions given by the PSB to the Company’s PRC legal advisers, the Company has obtained a joint PRC legal opinion from two law Professors in Tsinghua University and Peking University respectively on 23 September 2017 on the legal consequences, under PRC law, of disclosing to any third parties the content of a complaint made to the PSB or the details of the PSB’s enquiries (the “**Joint PRC Legal Opinion**”).

According to the Joint PRC Legal Opinion, the disclosure of the content of the complaint made to the PSB (including the results of the Forensic Investigation) or

the details of the PSB's enquiries (i) is prohibited under and/or would constitute a contravention of a restriction imposed by the legislation of the PRC and (ii) would constitute a contravention of a restriction imposed by a law enforcement agency of the PRC.

Since the results of the Forensic Investigation are subject to legal professional privilege (both the legal advice privilege and litigation privilege) and in view of the instructions given by the PSB and the advice contained in the Joint PRC Legal Opinion, in order not to prejudice the relevant investigations and the possible civil action(s) that may be taken by the Company and not to act in contravention of any laws of the PRC, the results of the Forensic Investigation will not be disclosed at this stage. In this regard, the Company has made an application to the Securities and Futures Commission ("SFC") under section 307E(1) of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong, for a waiver of disclosure of the results of the Forensic Investigation. The SFC has raised certain enquiries and returned the application. The Company is now dealing with the enquiries and will re-submit the application, if so advised.

(d) Taking civil action in the PRC

On 28 August 2017, the Company's PRC legal advisers submitted to the PRC Court the papers for commencing civil action in the PRC against the former management staff of the Company. The PRC Court has accepted the case.

Further announcement(s) in relation to the above will be made as and when appropriate.

(2) UPDATES ON THE PROGRESS OF INTERNAL CONTROL REVIEW

As disclosed in the announcement dated 22 August 2017, the Company submitted SHINEWING's internal control report on the key subsidiary of the Company, Inner Mongolia Bigvet Biotech Co., Ltd (內蒙古必威安泰生物科技有限公司) to the Stock Exchange on 30 June 2017. Subsequently, the Company has engaged SHINEWING to conduct a further internal control review on Shanxi Longkeer Biological Pharmaceutical Co., Ltd (山西隆克爾生物製藥有限公司) and the Group's level. Such further internal control review was completed and its scope covered an independent assessment of the internal control in the following areas:- financial reporting procedures; revenue and receivables collection procedures; costing,

procurement process, expenses and outgoings; inventory management; banking and cash management; fixed assets; human resources and payroll management; tax; and information system general control management; listing rules and other compliance procedures and review.

The internal control review on Inner Mongolia Bigvet Biotech Co., Ltd, Shanxi Longkeer Biological Pharmaceutical Co., Ltd and the Group's level was conducted from 22 February 2017 to 2 March 2017 and from 21 September 2017 to 29 September 2017. During the said periods, SHINEWING collected the relevant information, conducted on-site visits and interviewed the managers of the relevant departments, etc.

From 1 June 2017 to 29 June 2017 and from 9 October 2017 to 18 October 2017, SHINEWING conducted follow-up internal control review and assessed whether the recommended remedial measures have been implemented by the Company. On 31 October 2017, SHINEWING issued the Group's internal control review report and the same was submitted by the Company to the Stock Exchange on the same day.

In respect of the deficiencies of internal control systems identified by SHINEWING and the corresponding remedial or improvement recommendations proposed by them, after their thorough review, SHINEWING is satisfied that the Company has satisfactorily implemented appropriate remedial measures in accordance with the recommendations made by SHINEWING to address all the deficiencies in the internal control systems.

According to the Group's internal control review report, from SHINEWING's review of the Group's implementation of the remedial measures, their enquiries, observations and discussions with the management of the Group, as well as their examination of relevant documents and records, nothing has come to SHINEWING attention that the Group has not put in place adequate financial reporting procedures and internal control systems to meet the obligations under the Listing Rules.

The Company has fully completed the internal control review and is of the view that the 3rd Resumption Condition has been duly complied with. The Board of Directors of the Company will continue to use their best efforts to resolve the remaining issues under the Resumption Conditions, and shall continue to safeguard the interests of the Company and its shareholders as a whole.

(3) CONTINUING COMPLIANCE TRAINING AND PROFESSIONAL DEVELOPMENT FOR DIRECTORS

In order to further strengthen the Company's compliance of the Listing Rules and other compliance procedures and to ensure that the management do keep abreast of relevant rules and regulations, the Company has taken the initiative to arrange for a directors' training. On 19 September 2017, the Company's executive Directors, Ms. Song Yanmei and Mr. Wang Yongwei and the independent non-executive Directors Mr. Cai Huiyi, Mr. Liu Zhanmin and Mr. Zhang Suqiang attended and completed 4 hours of training on Listing Rules compliance and directors' duties provided by an independent Hong Kong law firm.

(4) UPDATES ON THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS

The Company was given to understand from its auditors, HLB Hodgson Impey Cheng Limited that they require additional time to finalize the audited financial statements for the years 2014 and 2015 and it is expected that the same will be published as soon as practicable. It is also expected that the management account for the year 2016 will be published as soon as practicable and the audited financial statements for year 2016 will be published by the end of December 2017. In other words, it is expected that the 2014 Annual Results, 2015 Interim Results, 2015 Annual Results, 2016 Interim Results, 2016 Annual Results, 2014 Annual Report, 2015 Interim Report, 2015 Annual Report, 2016 Interim Report and 2016 Annual Report will be published as soon as practicable.

(5) UPDATES ON RECENT DEVELOPMENT OF SUSPENSION OF TRADING

On 3 November 2017, the Company received a letter from the Stock Exchange notifying, among others, that the Listing Department of the Stock Exchange intends to commence the procedures under Rule 6.10 of the Listing Rules to cancel the Company's listing on the ground that the Company is no longer suitable for listing and intends to publish an announcement under Rule 6.10 pursuant to which the Company will have a period until 14 May 2018 to remedy the matters which have rendered the Company unsuitable for listing, failing which the Listing Department will recommend the Listing Committee to proceed with the cancellation of the Company's listing.

The Listing Department indicated that it arrived at its decision by having considered, among others, (i) findings of the Forensic Investigation; (ii) the Company's continuing failure to comply with its financial reporting obligations under the Listing Rules and (iii) the continuation of suspension for a prolonged period.

Under Rule 2B.06 of the Listing Rules, the Company has the right to have the Listing Department's Decision referred to the Listing Committee for review. A review request shall be made within 7 business days of receipt of the relevant decision. The Company is currently seeking legal advice as to the appropriate course of action, including the possibility of reviewing the Listing Department's decision. Further announcement(s) will be made as and when appropriate.

Notwithstanding that Listing Department's decision above, the Board of Directors of the Company would like to assure its shareholders that the Company has all along been and will continue making its best endeavours and taking active and prompt steps to fulfil the resumption conditions imposed by the Stock Exchange and address other concerns of the Stock Exchange, with the ultimate goal of applying for resumption of trading of its shares by the second quarter of 2018.

The Company will keep its shareholders and the public informed on any significant development of trading in the Company's shares and will make further disclosure when required pursuant to the requirement of the Listing Rules.

(6) DISPOSAL OF SHARES BY SUBSTANTIAL SHAREHOLDER AND CHANGE OF SUBSTANTIAL SHAREHOLDER

It has recently come to the Company's attention that, on 31 October 2017, Lilly Nederland Holding B.V. ("**Lilly**"), entered into a Shares Transfer Agreement (the "**Shares Transfer Agreement**") to dispose of 400,000,000 shares in the share capital of the Company (representing around 20.4% of the issued share capital of the Company) to Good Charm International Development Limited (益輝國際發展有限公司) ("**Good Charm**") (the "**Disposal**").

To the best of the Directors' knowledge, information and belief, Good Charm is a wholly-owned subsidiary of Tech-Bank Food Company Limited (天邦食品股份有限公司) ("**Tech-Bank**") which is a company listed in the Shenzhen Stock Exchange with stock code SZ:002124, and is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

After the completion of the Disposal, Lilly will cease to have any shareholding interest in the Company and Good Charm will hold 400,000,000 shares, representing 20.4% of the issued share capital of the Company and will become a substantial shareholder of the Company.

(7) UPDATES ON THE WINDING UP PETITION AGAINST THE COMPANY

The Petition was heard at the High Court on 26 July 2017, 13 September 2017 and 11 October 2017. The legal representatives of the Company attended the above hearings. Pursuant to an order made by Master H. Au-Yeung on 11 October 2017, the hearing of the Petition has been adjourned to 7 March 2018.

It has come to the Company's attention that, in an announcement made by Tech-Bank published on the Shenzhen Stock Exchange on 31 October 2017, Lilly, the Petitioner:- (i) would, after the signing of the Shares Transfer Agreement on 31 October 2017, apply to stay or terminate the winding up proceedings against the Company; and (ii) promised to withdraw the winding up proceedings after the completion of the Disposal.

The Company will keep its shareholders and the public informed on any significant development of the winding up proceedings and will make further disclosure on the updates on the same in due course.

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.
Song Yanmei
Chairman, Executive Director

Hong Kong, 14 November 2017

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

** For identification purpose only*