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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "**Board**") of China Animal Healthcare Ltd. (the "**Company**") is pleased to announce its unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2016 together with the comparative figures for the previous year as follows:

(I) FINANCIAL STATEMENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2016

	Notes	Six months ended 30-Jun-16 RMB'000 (Unaudited)	30-Jun-15 RMB'000 (Unaudited)
Revenue	**4**	39,917	52,137
Cost of sales		(11,342)	(9,689)
Gross profit		28,575	42,448
Other income and gains		3,107	-
Distribution and selling expenses		(24,717)	(21,605)
Administrative expenses		(11,118)	(9,677)
Other expenses and losses		(2,917)	(5,643)
Finance income		47	484
Finance costs		(1,445)	(2,253)
(Loss)/Profit before tax	**5**	(8,468)	3,754
Income tax expense	**6**	617	(2,028)
(Loss)/Profit for the year, representing total comprehensive (loss)/income for the year		(7,851)	1,726
(Loss)/Profit and total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(7,171)	766
Non-controlling interests		(680)	960
		(7,851)	1,726
(Loss)/Earnings per share			
- basic and diluted (RMB cents)	**8**	(0.36)	0.04

* *For identification purpose only*

Condensed Consolidated Statements of Financial Position
At 30 June 2016

	Notes	As at 30-Jun-16 RMB'000 (unaudited)	As at 31-Dec-15 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment		100,609	106,345
Prepaid lease payments		4,215	4,269
Available-for-sale financial asset		76,440	76,440
Deposits for property, plant and equipment		18,682	15,151
		199,946	202,205
Current Assets			
Inventories		64,014	37,836
Trade receivables	**9**	37,072	32,205
Prepayments and other receivables		42,275	23,211
Prepaid lease payments		108	108
Prepaid income tax		18	-
Pledged deposits		-	-
Cash and cash equivalents		55,952	107,419
		199,439	200,779
Current Liabilities			
Trade payables	**10**	31,980	31,526
Other payables and accrued charges		663,126	647,952
Borrowings		25,000	25,000
Provision for income tax		-	10,810
		720,106	715,288
Net Current Liabilities		(520,667)	(514,509)
Total Assets less Current Liabilities		(320,721)	(312,304)
Capital and Reserves			
Issued equity		108,677	108,677
Reserves		(483,236)	(476,065)
Capital deficiency attributable to owners of the Company		(374,559)	(367,388)
Non-controlling interests		37,324	38,004
Capital deficiency		(337,235)	(329,384)
Non-current Liabilities			
Deferred tax liabilities		16,514	17,080
		(320,721)	(312,304)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2016

1. Corporation information

The Company is a public limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The ultimate controlling party of the Group is Madam Li Chunhua.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are research, development and manufacture of animal drugs.

2. Basis of preparation

As disclosed in the Company's announcements dated 10 June 2015, during the audit of the consolidated financial statements of the Group for the year ended 31 December 2014, the Company and Deloitte Touche Tohmatsu, the predecessor auditors of the Company (the "**Predecessor Auditors**"), were unable to agree upon certain specific work steps relating to the additional audit procedures required by the Predecessor Auditors to confirm the Group's bank account balances. In addition, the Predecessor Auditors have alleged misconduct on the part of an employee of the Group (collectively referred to as the "**Unresolved Matters**"). Consequently, the trading of the shares of the Company on the Main Board of the Stock Exchange had been suspended on 30 March 2015. The Predecessor Auditors tendered their resignation as auditors of the Company with effect from 25 September 2015.

As disclosed in the Company's announcement dated 10 July 2015, the Stock Exchange has imposed conditions to the Company in respect of resumption of trading of shares, including but not limited to conducting a forensic investigation on the Unresolved Matters, disclose the findings of the investigation, assess the impact on the Group's financial and operational positions and take appropriate remedial actions. As disclosed in the Company's announcement dated 30 October 2015, the Company appointed RSM Corporate Advisory (Hong Kong) Limited (formerly known as "RSM Nelson Wheeler Corporate Advisory Limited") (the "**Forensic Accountant**"), an independent professional firm, to conduct a forensic investigation in respect of the Unresolved Matters.

As disclosed in the Company's announcements dated 28 December 2015, 30 December 2015, 1 February 2016 and 17 October 2016, a truck (the "**Truck**") loaded with, among other things, original financial documents for five financial years ended 31 December 2015 of the Company's subsidiaries, including Shenzhou Pagina-Kang Technology Co. Ltd (深州保吉安康科技有限公司) ("**Shenzhou Pagina-Kang**"), Beijing Pagina-Kang Technology Co. Ltd (北京保吉安科技有限公司) ("**Beijing Pagina-Kang**") (formerly known as Beijing Healthcare Technology Co. Ltd. (北京海思科瑞科技有限公司)), Hebei Biwei Science Technology Co., Ltd. (河北畢威科技有限公司), Shijiazhuang Lixinkang Animal Medicine Company Limited (石家莊利欣康動物藥業有限公司), Shijiazhuang Greenxinkang Animal Medicine Company Limited (石家莊綠欣康動物藥業有限公司), Hebei Qingshanhong Animal Medicine Company Limited (河北青山紅動物藥業有限公司), Longyao Qingshanhong Animal Medicine Company Limited (隆堯青山紅動物藥業有限公司), Shijiazhuang Keruida Animal Medicine Company Limited (石家莊科瑞達動物藥業有限公司), Hebei Geruisi Animal Medicine Company Limited (河北格瑞斯動物藥業有限公司), Shijiazhuang Aoxin Animal Medicine Company Limited (石家莊澳信動物藥業有限公司), Hebei Runshengzhongfu Animal Medicine Company Limited (河北潤生中福動物藥業有限公司), Shijiazhuang Sikede Animal Medicine Company Limited (石家莊思科德動物藥業有限公司), Hebei Pagina-Kang Animal Medicine Company Limited (河北保吉安康動物藥業有限公司) ("**Hebei Pagina-Kang**") (formerly known as Shijiazhuang Maidisenda Animal Medicine Company Limited (石家莊麥迪森達動物藥業有限公司)), Beijing Jianxiang Hemu Biological Technology Limited (北京健翔和牧生物科技有限公司)

("**Beijing Jianxiang Hemu**") and all financial documents for 4 years ended 31 December 2014 and part of the year ended 31 December 2015 of Shanxi Longkeer Biological Pharmaceutical Co., Ltd. (山西隆克爾生物製藥有限公司, ("**Shanxi Longkeer**") (collectively referred to as the "**Relevant PRC Subsidiaries**") (the "**Lost Documents**") was stolen in the Qingyuan District of Baoding City, Hebei Province, the PRC on 4 December 2015 (the "**Truck Theft**"). A Special Investigation Group (the "**Special Investigation Group**") accountable to the Board was established on 5 December 2015 which is headed by Mr. Li Jun, an executive director of the Company ("**Mr. Li**") at that material time, to (i) investigate into the Truck Theft, (ii) maintain close contact with the Public Security Bureau in the PRC (the "**PSB**") to search for the Truck, and (iii) confirm the list of Lost Documents and follow up on this matter. Since the occurrence of the Truck Theft, the finance team of the Group has been inquiring from different sources to retrieve as many copies of the Lost Documents as possible in order to minimise the impact of the Lost Documents. In order to complete the forensic investigation in respect of the Unresolved Matters, the Forensic Accountant was also instructed to reconstruct certain books and records of the Relevant PRC Subsidiaries and obtain alternative or secondary information or confirmations within the Group or from third parties.

As disclosed in the Company's announcement dated 17 October 2016, it had 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 the Relevant PRC Subsidiaries as at 31 December 2014 and 2015 (the "**Possible Accounting Discrepancies**"). A special investigation committee (the "**Special Investigation Committee**") was established on 14 October 2016 which comprised of all independent non-executive directors of the Company at that material time to conduct investigations into the Possible Accounting Discrepancies. As disclosed in the Company's announcement dated 13 January 2017, the Possible Accounting Discrepancies were related to bank balances of subsidiaries operating under the Group's chemical drug business and the aggregate amount of the discrepancies was estimated to be in the range of approximately RMB835 million to RMB933 million. The Forensic Accountant was then requested by the Special Investigation Committee to extend the forensic investigation to cover the Possible Accounting Discrepancies (the works covered by the Forensic Accountants including the Unresolved Matters, the Truck Theft and the Possible Accounting Discrepancies, are referred to as the "**Forensic Investigations**").

As disclosed in the Company's announcements dated 27 July 2017 and 14 November 2017, the Forensic Investigations were completed and submitted to the Stock Exchange. The Special Investigation Committee at the meeting on 12 July 2017 resolved to make, amongst others, the following suggestions to the Board for their considerations: (i) a number of the management staff of the Company and of the Group who might be involved in all or some of the matters covered by the Forensic Investigations, should cease to hold their offices in the Group; (ii) in respect of the results of the Forensic Investigations, the Company should report to the Police in Hong Kong for investigation and (iii) 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 and of the Group who might be involved in all or some of the matters covered by the Forensic Investigations, and to report the matters to the PSB for their investigation. The Company announced on 14 November 2017 that the Company had (i) on 2 August 2017, through its Hong Kong legal advisers, reported to the Commercial Crime Bureau of the Police (the "**CCB**") in Hong Kong and were informed that there was insufficient evidence to support a charge against any person. As such, there would be no prosecution action at this stage; (ii) 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 was considering the same and would take appropriate actions promptly where appropriate; (iii) instructed the Company's PRC legal advisers to report the results of the Forensic Investigations to the PSB for their investigation and the PSB had accepted the case for their criminal investigation on 13 September 2017. Up to the date of the approval of the condensed consolidated financial statements of the Group, the investigation by the PSB is still in progress and (iv) 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 and of the Group and the PRC Court had accepted the case. Up to the date of the approval of the condensed consolidated financial statements of the Group for the six months ended 30 June 2016, the relevant proceedings are still in progress.

In addition, the Special Investigation Committee has reached the following conclusions:

- the discrepancies between the balances shown on the bank statements obtained from the banks and the balances in the accounting records as at 31 December 2014 and 2015 amounted to approximately RMB1,060,196,000 and RMB1,295,608,000 respectively. The discrepancies between the opening balances of the bank statements and the opening balances shown in the accounting records as at 1 January 2014 amounted to approximately RMB951,513,000, thus showing that the Group's funds were already unaccounted for at the beginning of the financial year ended 31 December 2014;

- there were overstatements of recorded sales revenue, however the amounts could not be determined;

- there were evidences obtained which supported that certain customers and suppliers to whom recorded sales and purchases related were either non-existent or had ceased to have sales or trading transactions with the Relevant PRC Subsidiaries since the years ended 31 December 2012 and 2013;

- there were insufficient information or evidence to support the validity of the Truck Theft and the details of the Lost Documents; and

- there were insufficient information or evidence to support the validity of the returns of goods and relevant claims as set out in the Company's announcement dated 30 November 2015 which were supposedly as a result of the revocation of GMP certificates and production permits as disclosed in the Company's announcement dated 23 October 2015.

Given the facts and circumstances that (i) the results of the investigation of the PSB is still in progress; (ii) the Group has been unable to retrieve and reconstruct complete books and records of the Relevant PRC Subsidiaries; and (iii) key management personnel of the Relevant PRC Subsidiaries had left the Group and the Group has lost contact with them, the Board has been unable to explain and validate the true state of the affairs of the Relevant PRC Subsidiaries at 30 June 2016. The Board considered that it would be difficult and time consuming to ascertain the true and correct financial position and profit or loss as of and for the six months ended 30 June 2015 and 2016 for the Relevant PRC Subsidiaries or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during the period and various balances of the Relevant PRC Subsidiaries as at 30 June 2016 In the opinion of the Board, any reconstruction of the correct accounting records would also be almost impossible as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be unreliable due to their connections with the previous management of the Relevant PRC Subsidiaries or those responsible for the financial information which the Unresolved Matters and the Possible Accounting Discrepancies.

As of the date of approval for issuance of the condensed consolidated financial statements of the Group for the six months ended 30 June 2016, the Board considered that it had made its best efforts, to the extent commercially practicable, to reconstruct the accounting records of the Relevant PRC Subsidiaries for the six months ended 30 June 2016, applying the best estimates and judgement based on the information of the Group that are available to the Board. However, given the substantial portion of the books and records was lost and the key management of the Relevant PRC Subsidiaries left and lost contact, the Board believes as at the date of approval for issuance of the condensed consolidated financial statements that it was impossible and impractical to ascertain the transactions and balances of the Relevant PRC Subsidiaries for inclusion in the condensed consolidated financial statements of the Group for the period ended 30 June 2016. Also, due to the same reason abovementioned, the Board believes that it is almost impossible, and not practical, to verify the financial information as reported in the condensed consolidated financial statements of the Group in the previous periods.

Given these circumstances, the Board has not consolidated the results, cash flows and financial position of the Relevant PRC Subsidiaries (collectively referred to also as the "**De-consolidated Subsidiaries**") in the condensed consolidated financial statements of the Group for the six months ended 30 June 2016. As such, the results, cash flows and assets and liabilities of the De-consolidated Subsidiaries have not been included in the condensed consolidated financial statements of the Group with effect from 1 January 2014. The resulting loss on de-consolidation of the De-consolidated Subsidiaries amounted to approximately RMB1,527,194,000, representing the carrying amounts of the net assets of the De-consolidated Subsidiaries as at 1 January 2014 as included in the management accounts of these subsidiaries used in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2013. This loss amount includes the effects of the Truck Theft, the Possible Accounting Discrepancies and the irregularities and misconduct constituting the Unresolved Matters (hereinafter referred to collectively as the "**Incidents**"), which effects as at the date of this report are still unascertained. This loss amount has been recognised as "loss arising from the Incidents" in consolidated profit or loss for the year ended 31 December 2014 and the resulting movement and transfer of reserves have been recognised in the consolidated statement of changes in equity for the year ended 31 December 2014.

In the preparation of the condensed consolidated financial statements of the Group for the six months ended 30 June 2016, the directors of the Company (the "**Directors**") have included the results, cash flows and financial position of Inner Mongolia Bigvet Bio-tech Co., Ltd. (內蒙古必威安泰生物科技有限公司) ("**Bigvet Biotech**") in the condensed consolidated financial statements as they were able to have access to the books and records and key management personnel of Bigvet Biotech. Bigvet Biotech is an indirectly held non-wholly owned subsidiary of the Company, which as at 30 June 2016, 87.8% of its equity interests were held by Beijing Pagina-Kang, Hebei Pagina-Kang, which are part of the De-consolidated Subsidiaries. On 27 November 2017, the Directors had successfully arranged for the transfer of the 87.8% equity interests of Bigvet Biotech to Beijing Bigvet Technology Co., Ltd. (北京必威安泰科技有限公司), which is a wholly owned subsidiary of the Company established on 30 March 2017 and directly held by Evanton Pte. Ltd ("**Evanton**"), a directly held wholly owned subsidiary of the Company.

In the opinion of the Board, the condensed consolidated financial statements as at and for the six months ended 30 June 2016 prepared on the aforementioned basis are the only practicable way of presenting the results, cash flows and state of affairs of the Group as the Board was unable to obtain sufficient documentary information to satisfy themselves regarding the transactions and balances related to the De-consolidated Subsidiaries. However, the Board understands that the de-consolidation of the De-consolidated Subsidiaries effective from 1 January 2014 is not in compliance with the requirements of International Financial Reporting Standard ("**IFRS**") 10 "Consolidated Financial Statements". Given the abovementioned circumstances, the Board is unable to ascertain the impact of the Unresolved Matters and the Possible Accounting Discrepancies with respect to the accounting records and transactions of the De-consolidated Subsidiaries, if any, and the de-consolidation of the De-consolidated Subsidiaries on the condensed consolidated financial statements.

Due to limited books of accounts and records available to the Board and the non-consolidation of the De-consolidated Subsidiaries with effect from 1 January 2014, the following disclosures have not been made in the condensed consolidated financial statements, insofar as the details or information relate to the De-consolidated Subsidiaries as at and for the six months ended 30 June 2016:

- Details of the credit policy and aging of debtors and creditors as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**");
- Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance and IFRSs;
- Details of allowance account for credit losses, financial risk management and fair value disclosure as required by IFRS 7, "Financial Instruments - Disclosures"; and

- Entity-wide disclosures as required by IFRS 8, “Operating Segments”.

Further, for the same reasons as those stated above, the Board is unable to represent in these condensed consolidated financial statements that all transactions entered into by the Group for the six months ended 30 June 2016 have been properly reflected in the condensed consolidated financial statements. In this connection, the Board is also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of revenue and segment information, income tax, profit for the period, earnings per share, property, plant and equipment, trade receivables, trade payables, commitments and related party transactions insofar as the details or information related to the De-consolidated Subsidiaries.

As per assessment by the Board, based on the results of the Forensic Investigations and the information available at this stage, all identified, adjustments required to be put through in the condensed consolidated financial statements for the six months ended 30 June 2016 have been put through, insofar as these adjustments do not relate to the De-consolidated Subsidiaries. Since the follow up investigations by the PSB are still ongoing], any further adjustments and disclosures, if required, would be made in the condensed consolidated financial statements of the Group as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified, and would have a consequential effect on the net loss of the Group for the six months ended 30 June 2016 and the net liabilities of the Group as at 30 June 2016.

Any adjustments arising from the matters described above would have a consequential significant effect on the net loss of the Group for the six months ended 30 June 2016 and net liabilities of the Group as at 30 June 2016.

During the six months ended 30 June 2016, the Group incurred a loss attributable to the owners of the Company of approximately RMB7,171,000 (2015: profit of RMB766,000) and, as of that date, the Group’s total liabilities exceeded its total assets by approximately RMB337,235,000 (31 December 2015: RMB329,384,000). In addition, it was disclosed in the Company’s announcement dated 14 November 2017 that, 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. In addition, the Board has been unable to represent that all present and contingent liabilities of the Group have been completely identified as described above. These conditions indicate the existence of a material uncertainty which may cast significant effect on the Group’s ability to continue as a going concern.

As disclosed in the Company’s announcement dated 26 May 2017, the Company received a petition dated 19 May 2017 (the “**Petition**”) filed by Lilly Nederland Holding B.V. (the “**Petitioner**”), a substantial shareholder of the Company at that material time, in the Court of First Instance of the High Court of Hong Kong against (i) the Company; (ii) Mr. Wang Yangang (“**Mr. Wang**”); (iii) Ms. Li, the spouse of Mr. Wang and the ultimate controlling shareholder of the Company; and (iv) Wang Family Company Limited, a substantial shareholder of the Company. The Petitioner alleged, inter alia, that the affairs of the Group have been conducted by Mr. Wang, with the present management of the Group, in a manner which is unfairly prejudicial to the interests of the Group and all its minority shareholders including the Petitioner in that, inter alia, (i) trading in the Company’s shares has been subjected to a prolonged suspension and the resumptions conditions have not been complied with; (ii) there has been a prolonged failure on the part of the Company to publish its annual accounts for 2014, 2015 and 2016; (iii) the shareholders of the Company have been deprived of their right to ascertain the true financial position of the Company and the Group for over 2 years; (iv) there were interference with the audit process of the Predecessor Auditors, failure to comply with the Predecessor Auditors’ requests and concealment of the true reasons for the Predecessor Auditors’ resignation; (v) the Company took no steps to investigate into the allegations made by the Predecessor Auditors and various alleged incidents; (vi) the business of the Group has been mismanaged which result in the revocation of the permits for the Group's chemical drug business and reduction in the turnover and profits of the Group; (vii) the Company failed to address the Petitioner's concerns or questions; and (viii) the discrepancies in bank balances were unexplained and the Company took no steps to recover the missing bank balances. The Petitioner sought a buy-out order and sought, as an alternative remedy, a winding-up order against the Company on just and equitable grounds under section 327 of the Companies (Winding-up and Miscellaneous Provisions) Ordinance (Chapter. 32 of the Laws of Hong Kong). The hearing of the Petition was adjourned to 7 March 2018.

As disclosed in the Company's announcement dated 14 November 2017, the Petitioner on 31 October 2017 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 "**Share Disposal**"). To the best of the Directors' knowledge, 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 third party independent of the Company and its connected persons as defined in the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange. After completion of the Shares Disposal on 7 December 2017, the Petitioner ceased to have any shareholding interest in the Company and Good Charm held 400,000,000 shares, representing 20.4% of the issued share capital of the Company and became a substantial shareholder of the Company. On 19 December 2017, the Petitioner filed summons to seek the withdrawal of the winding up proceedings. On 12 March 2018, the Court of the First Instance of High Court of Hong Kong has dismissed the Petition.

Given the circumstance in respect of the possibility of fulfillment of the resumption conditions imposed by the Stock Exchange and the continuity in the operations of the Group's biological drug products business, the Board is of the view that the Group is able to repay or extend existing borrowings and liabilities upon their maturities or when they fall due through cash flows from operations and working capital to be provided through continuing support from financial institutions. Accordingly, the Board has adopted the going concern basis in the preparation of the condensed consolidated financial statements.

Should the resumption conditions be unable to be fulfilled, the Group might not be able to continue to operate as a going concern, in which case adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify all non-current assets and liabilities as current assets and liabilities. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

3. Adoption of new or amended IFRS

The Group has applied the same accounting policies and methods of computation in the condensed consolidated financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2015.

In the current period, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**").

IFRSs (Amendments)	Annual Improvements to IFRSs 2012–2014 Cycle
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IAS 1 (Amendments)	Disclosure Initiative

IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants
IAS 27 (Amendments)	Equity Method in Separate Financial Statements

The application of the new and amended IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or disclosures set out in these consolidated financial statements.

4. Revenue

Revenue of the Group represents the amount received and receivables for goods sold to customers excluding value-added tax ("**VAT**").

The chief operating decision maker ("**CODM**") of the Group, being the Company's Chief Executive Officer, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The Group's principal activities were research, development and manufacture of biological drugs. For the purpose of resources allocation and assessment of performance, the CODM regularly reviewed the Group's performance based on revenue and gross profit margin of the Group as a whole. No other discrete financial information was provided to the CODM. As the Group's resources are integrated and there are no discrete operating segment assets and liabilities reported to the CODM, accordingly, no separate segment information is presented.

5. (Loss)/Profit for the period

(Loss)/Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	5,939	5,720
Staff costs, including directors' emoluments	16,251	12,936
Interest income from bank balances	(47)	(484)
Interest on bank borrowings	1,445	2,253
Net foreign exchange losses/(gain)	(3,107)	1,004
Release of prepaid lease payments	54	54
Impairment loss recognised in respect of trade receivables	185	65

6. Income tax

	Six months ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
	(Unaudited)	(Unaudited)
PRC enterprise income tax		
– current period	(52)	1,249
Deferred tax		
– current year	(565)	779
	(617)	2,028

7. Dividends

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2016.

8. (Loss)/Earnings per share

The calculation of the (loss)/earnings per share is based on the following data:

	Six months ended 30 June 2016 RMB'000 (Unaudited)	Six months ended 30 June 2015 RMB'000 (Unaudited)
(Loss)/Earnings		
(Loss)/Profit attributable to the Owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(7,171)	766

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)
Number of shares		
Number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	1,965,989,853	1,965,989,853

Diluted (loss)/earnings per share for the six months ended 30 June 2016 and 2015 were the same as the basic (loss)/earnings per share as there was no potential ordinary shares outstanding during the six months ended 30 June 2015 and 2014.

9. Trade receivables

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
0–30 days	5,947	24,539
31–90 days	3,124	7,470
91–180 days	18,521	196
181-365 days	9,480	-
	37,072	32,205

The Group allows credit periods ranging from 30 to 180 days to customers which were government bureaus. Other customers were granted with credit terms of 1 year or on cash on delivery or before delivery. The credit terms vary on a case by case basis based on the creditworthiness and the Group's existing relationships with the customers.

10. Trade payables

The following is an aged analysis of the trade payables to third parties presented based on the invoice date at the end of the reporting period.

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
31–90 days	3,760	13,352
31–90 days	5,601	4,221
91–180 days	9,046	8,478
181-365 days	11,947	3,725
Over 365 days	1,626	1,750
	31,980	31,526

The average credit period on purchases of goods is 0 to 40 days.

(II) Management Discussion and Analysis

Statement of Profit or Loss and Other Comprehensive Income Review

A breakdown of the Group's revenue by business activities for the six months ended 30 June 2016 ("HY2016") is set out below.

Revenue

	HY2016 RMB'000 (Unaudited)	%	HY2015 RMB'000 (Unaudited)	%
Biological drugs – FMD vaccines	39,917	100.0	52,137	100.0

Revenue for FMD vaccines amounted to RMB39.9 million in the HY2016, an decrease of RMB12.2 million or 23.4% over HY2015 revenue of RMB52.1 million.

Revenue from sales of FMD vaccines to provincial veterinary stations declined by RMB1.2 million or 3.9% from RMB31.1 million in HY2015 to RMB29.9 million in HY2016. Sales of premium FMD vaccines in HY2016 amounted to RMB10.1 million, a decrease of RMB10.9 million in the current period from RMB21.0 million in prior period. This decline in revenue can be attributed to the Company being suspended from trading on HKEx, which led to poor morale and high staff turnover which in turn affected sales performance.

Cost of sales of FMD vaccines constituted approximately 28.4% and 18.6% of its revenue in HY2016 and HY2015 respectively. Cost of sales increased by RMB1.6 million or 16.5% from RMB9.7 million in HY2015 to RMB11.3 million in HY2016. Gross profit margin decreased by 9.8 percentage points to 71.6% in HY2016 from 81.4% in HY2015. The increase in cost of sales and decrease in gross profit margin is mainly due to the increase in production costs for improvements on quality of products sold. Lower sales of premium vaccines during the current period has also contributed to the decline in gross profit margin in HY2016 as premium vaccines usually enjoy a higher gross profit margin than vaccines sold to provincial veterinary stations.

Distribution and selling expenses pertaining to sales of FMD vaccines amounted to RM24.7 million in HY2016, an increase of RM3.1 million. The increase is mainly due to increase in marketing costs to promote new products.

Administrative expenses amounted to RMB11.1 million, an increase of RMB1.4 million. The increase is due mainly to an increase in professional expenses to meet the resumption conditions imposed on the Company after being suspended from trading on HKEx.

Other expenses and losses amounted to RMB2.9 million which mainly relates to research and development expenses.

Finance income pertained to interest income on bank balances which amounted to RMB47,000.

Finance costs of RMB1.4 million mainly pertained to loan interest expense on borrowings by Bigvet Biotech.

As a result of the foregoing, net loss for the period attributable to owners of the Company amounted to RMB7.2 million in HY2016. Net loss attributable to non-controlling interests amounted to RMB0.7 million in HY2016.

The Group's non-current assets for HY2016 comprises mainly property, plant and equipment of RMB100.6 million, prepaid lease payments of RMB4.2 million, deposits for property, plant and equipment of RMB18.7 million and available-for-sale financial asset of RMB76.4 million. PPE decreased by RMB5.7 million during the period as a result of depreciation charge of RMB5.9 million, partially offset by PPE additions of RMB0.2 million. Prepaid lease payments amounted to RMB4.2 million as at 30 June 2016 after amortisation charge of RMB54,000 for the period. The available-for-sale financial asset of RMB76.4 million was paid towards the paid-in capital of Liaoning Yikang Biological Corporation Limited ("Liaoning Yikang") for a 16.99% stake in the company. Liaoning Yikang is a designated producer of bird flu inactivated vaccine and live-attenuated swine fever vaccine appointed by the Ministry of Agriculture of the People's Republic of China.

Current assets of the Group decreased by RMB1.4 million to RMB199.4 million as at 30 June 2016, comprising mainly inventories of RMB64.0 million, trade receivables of RMB37.1 million, prepayments and other receivables of RMB42.3 million and cash and cash equivalents of RMB56.0 million. Inventories increased by RMB26.2 million to RMB64.0 million, comprising stockpile of FMD vaccines of RMB21.8 million and raw materials and packing materials of RMB42.2 million. Prepayments and other receivables increased by RMB19.1 million which mainly pertained to prepayments for purchase of raw materials. Cash and cash equivalents amounted to RMB56.0 million as at 30 June 2016. Net cash used in operating activities amounted to RMB43.1 million. Net cash used in investing activities amounted to RMB3.7 million which mainly relates to purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB1.5 million which mainly relates to repayment of borrowings of RMB50.0 million partially offset by proceeds from borrowings of RMB50.0 million and interest paid of RMB1.5 million.

The Group's current liabilities comprises trade payables of RMB32.0 million, other payables and accrued charges of RMB663.1 million and borrowings of RMB25.0 million. It increased from RMB715.3 million as at 31 December 2015 to RMB720.1 million as at 30 June 2016. This is due mainly to an increase in other payables and accrued charges by RMB15.2 million, and decrease in provision for income tax by RMB10.8 million. Other payables and accrued charges mainly comprises amounts due to deconsolidated subsidiaries of RMB636.9 million. The Group's borrowings of RMB25.0 million as at 30 June 2016 comprise loans taken for working capital purposes. The loans are due in 2017.

Non-current liability comprises deferred tax liabilities amounting to RMB16.5 million as at 30 June 2016. This pertained mainly to accruals for PRC withholding tax on expected dividends out of the profits derived by the PRC subsidiary.

The Group's capital and reserves comprised share capital, share premium, retained earnings, other reserves and non-controlling interests. Capital deficiency of RMB337.2 million was recorded. Net loss attributable to owners of the Company amounted to RMB7.2 million and net loss attributable to non-controlling interests amounted to RMB0.7 million during the period. Total capital deficiency attributable to owners of the Company amounted to RMB374.6 million as at 30 June 2016.

(III) Supplementary information

1. Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, reviewed the interim results for the six months ended 30 June 2016, and has discussed and reviewed the internal control and reporting matters.

2. Compliance with the Corporate Governance Code

The Company devotes to best practice on corporate governance, and has complied with all the code provisions of the Corporate Governance Code (the "**CG Code"**) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015, except for deviations from Code Provisions A.2.1 and C.1.2 of the CG Code which is explained below:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual.

Mr. Wang Yangang is the Chairman and CEO of the Company. The Board is of the view that there is already a sufficiently strong independent element on the Board to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board, taking into account factors such as the number of the independent non-executive directors on the Board as well as the contributions made by each member at board meetings which relate to the affairs and operations of the Group. The Board is satisfied that one person is able to effectively discharge the duties of both positions.

Code Provision C.1.2 stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13.

Due to the Lost Documents incident, the Company was unable to prepare monthly financial report to facilitate the Board members to discharge their duties under Rule 3.08 and Chapter 13 during the period.

3. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by directors of the Company (the "**Directors**"). The Board confirms, having made specific enquiries with all Directors, save and except Mr. Alberto Riva who has not responded to the Board's enquiries, that during the year ended 30 June 2016, all other Directors have complied with the required standards of the Model Code.

4. Closure of Register of Members

Not applicable as no interim dividend in respect of the six months ended 30 June 2016 has been proposed by the Directors.

5. Purchase, Sales or Redemption of the Company's Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the securities of the Company during the six months ended 30 June 2016.

6. Event after the Reporting Period

(a) Disposal of Shares by and Change of Substantial Shareholder

On 31 October 2017, Lilly Nederland Holding B.V. ("**Petitioner**"), 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, a wholly-owned subsidiary of Tech-Bank Food Company Limited (the "**Disposal**"). After the completion of the Disposal on 7 December 2017, the Petitioner ceased to have any shareholding interest in the Company and Good Charm held 400,000,000 shares, representing 20.4% of the issued share capital of the Company and became a substantial shareholder of the Company. On 19 December 2017, the Petitioner filed summons to seek the withdrawal of the winding up proceedings. On 12 March 2018, the Court of the First Instance of High Court of Hong Kong has dismissed the Petition.

(b) Update 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. On 14 November 2017, the Company has submitted a request to the Listing Committee for review of the Listing Department's Decision of 3 November 2017 pursuant to Listing Rule 2B.06(1). The review hearing was held on 19 April 2018, during which the Listing Committee of the Stock Exchange considered the request made by the Company for review of the Department's Decision. On 27 April 2018, the Company received a facsimile from the Stock Exchange notifying the Company that the Listing Committee decided to uphold the Department's Decision 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. On 7 May 2018, the Company has lodged a request to the Listing (Review) Committee for reviewing the Listing Committee's Decision.

(c) Change in the Directors of the Company

Mr. Wang Yangang resigned as the chairman of the Board, executive Director and chief executive officer of the Company with effect from 24 July 2017.

Mr. Li resigned as an executive Director and deputy chief executive officer of the Company with effect from 24 July 2017.

Mr. Wang Yongwei was appointed as an executive Director with effect from 11 September 2017.

7. Disclosure on the Website of the Stock Exchange

This announcement shall be published on the website of the Stock Exchange (http://www.hkex.com.hk) and on the website of the Company (http://www.chinanimalhealthcare.com) in due course.

By Order of the Board
China Animal Healthcare Ltd.
Song Yanmei
Chairman and Executive Director

Hong Kong, 16 May 2018

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