

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.



Hua Han Health Industry Holdings Limited
華瀚健康產業控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 587)

UPDATE ANNOUNCEMENT ON THE RESUMPTION PROGRESS

This announcement is made by Hua Han Health Industry Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Listing Rules 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 (1) the Resumption Conditions Announcement in relation to the conditions imposed by the Stock Exchange on the Company in respect of the resumption of trading in the shares of the Company on the Stock Exchange; (2) the announcements of the Company dated 7 February 2017 and 28 February 2017 in relation to the appointment of Grant Thornton as the independent third party investigator; (3) the announcement of the Company dated 7 June 2017 in relation to the engagement of ZHONGHUI as the auditors of the Company; (4) the announcements of the Company dated 19 July 2017, 24 August 2017, 26 September 2017, 26 October 2017, 29 November 2017, 29 December 2017, 31 January 2018, 28 February 2018, 29 March 2018 and 3 May 2018 in relation to the update on the resumption progress; and (5) the announcement of the Company dated 3 October 2017 in relation to the delay in the publication of the 2016/2017 Annual Results and despatch of the 2016/2017 Annual Report. Unless the context otherwise requires, the capitalised terms used in this announcement shall have the same meanings as those defined in the announcement of the Company dated 3 May 2018.

UPDATE ON WORK PROGRESS OF INDEPENDENT THIRD PARTY INVESTIGATOR

As disclosed in the Company’s announcements dated 19 July 2017, 24 August 2017, 26 September 2017, 26 October 2017, 29 November 2017, 29 December 2017, 31 January 2018, 28 February 2018, 29 March 2018 and 3 May 2018, Grant Thornton is working on the Investigation. The detailed scope of the Investigation was set out in the announcement of the Company dated 28 February 2017.

Grant Thornton is in the process of performing the following procedures, among other things, which are yet to be completed:

- inspect walkthrough documents regarding the sales of the Group;
- review bank records of payments and receipts and obtain records of bank balances from banks;

- review value-added tax (VAT) sales invoices in relation to sales of products through online verification system and respective tax authority;
- visit and conduct interviews with major customers and suppliers of the Group, management of the Company, banks and tax authorities;
- obtain confirmations from major customers of the Group to verify their value of the transactions and settlements;
- obtain confirmations from major suppliers of the Group to verify their value of the transactions and payments;
- conduct data analytics on bank accounts, accounts receivable accounts, accounts payable accounts, VAT payables accounts, Enterprise Income Tax payables accounts, sales accounts and inventories accounts of the Group; and
- forensically examine the storage media in the computers of the relevant personnel of the Company.

As at the date of this announcement, the major outstanding issues of the Investigation including but not limited to:

- obtaining certain records and arranging for interview with banks, certain major customers and suppliers of the Group;
- obtaining certain records and arranging for interview with tax authorities; and
- obtaining certain documents and computer records in relation to the Investigation.

UPDATE ON AUDIT PROGRESS

As disclosed in the Company's announcement dated 7 June 2017, 19 July 2017, 26 September 2017, 26 October 2017, 29 November 2017, 29 December 2017, 31 January 2018, 28 February 2018, 29 March 2018 and 3 May 2018, ZHONGHUI has commenced the audit work in May 2017 in respect of the 2015/2016 Annual Results.

The audit procedures for the 2015/2016 Annual Results and the 2016/2017 Annual Results are still ongoing. ZHONGHUI has been conducting interviews with the Group's major customers, major suppliers, suppliers of property, plant and equipment, contractors, personnel of relevant tax authorities and personnel of major banks, and has been collecting the relevant books and records of the Group companies. Meanwhile, the unaudited 2016/2017 Interim Results are still being prepared by the Company.

The publication of the Outstanding Financial Results will be subject to the findings of the Investigation. As at the date of this announcement, the major outstanding issues of the audit procedures for the 2015/2016 Annual Results including but not limited to:

- obtaining the documents in relation to certain inconsistencies as noted in the letters from Ernst & Young, the previous auditors of the Company, as disclosed in the announcement of the Company dated 30 September 2016;

- obtaining certain bank statements of the Group companies;
- obtaining certain confirmations from banks and certain external parties; and
- conducting interviews with certain major customers, major suppliers, suppliers of property, plant and equipment, contractors, relevant tax authorities and major banks of the Group.

TIMELINE FOR COMPLETION OF THE INVESTIGATION AND PUBLICATION OF THE OUTSTANDING FINANCIAL RESULTS

Since the Group conducted its sales and trading of products during its ordinary course of business through various subsidiaries and a large number of transactions were involved, there were delays in obtaining confirmations from the customers or suppliers of the Group to verify the previous transactions conducted between them and the Group. Further, certain customers/suppliers/banks were located in remote areas in the PRC such as Tibet, Ningxia and Xinjiang, and it would be more time consuming for Grant Thornton and ZHONGHUI to visit them to conduct interviews when compared to other interviewees which are located in major provinces and cities such as Guangdong, Sichuan, Chongqing and Zhejiang.

The Company has been actively undertaking the necessary actions to accelerate the completion of the Investigation and the publication of the Outstanding Financial Results, including holding telephone conferences and physical meetings with Grant Thornton and ZHONGHUI in relation to the progress of the Investigation and the audit (where applicable), hiring more staff to assist Grant Thornton and ZHONGHUI in conducting the Investigation and audit procedures (where applicable), liaising with its customers/suppliers/banks to accelerate their provision of the necessary confirmations as may be required by Grant Thornton and ZHONGHUI.

Based on the current status of the Investigation and the audit, the expected timeline for completion of the Investigation and the publication of the Outstanding Financial Results is changed as below.

In respect of the Investigation:

- (1) Submission of the findings of the Investigation by Grant Thornton by June 2018, subject to completion of the procedures stated above; and
- (2) Address the issues (if any) from the findings of the Investigation by the Company by the end of July 2018.

In respect of the publication of Outstanding Financial Results:

- (1) Completion of the audit procedures and fieldwork for the 2015/2016 Annual Results by ZHONGHUI by July 2018, subject to the completion of the major outstanding issues of the audit procedures for the 2015/2016 Annual Results stated above and the Investigation by Grant Thornton;
- (2) Publication of the 2016/2017 Interim Results and 2015/2016 Annual Results by the Company by the end of July 2018;
- (3) Completion of the audit procedures and fieldwork for the 2016/2017 Annual Results by ZHONGHUI by September 2018; and
- (4) Publication of the 2016/2017 Annual Results by the Company by the end of September 2018.

The Company will publish further announcement(s) to update the shareholders of the Company and the public as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Company's shares (stock code: 00587) and debt securities (stock code: 05676) has been suspended on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 27 September 2016 and will remain suspended until further notice.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board of
Hua Han Health Industry Holdings Limited
Zhang Peter Y.
Chairman

Hong Kong, 1 June 2018

As at the date of this announcement, the Board comprises Mr. Zhang Peter Y., Mr. Deng Jie, Mr. Zhou Chong Ke, Mr. Bian Shu Guang and Ms. Niu Yi as executive Directors, Mr. Tarn Sien Hao as non-executive Director, and Professor Lin Shu Guang, Professor Zhou Xin and Mr. Chan Chun Kit as independent non-executive Directors.