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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)

REVISED TERMS OF APPOINTMENT OF INDEPENDENT THIRD PARTY INVESTIGATOR

Reference is made to (i) the announcement of Hua Han Health Industry Holdings Limited (the “**Company**“, together with its subsidiaries, the “**Group**”) dated 30 September 2016 in relation to, among others, the audit progress of the 2015/2016 Audit Work and the delay in publication of annual results of the Group for the year ended 30 June 2016; (ii) the announcement of the Company dated 19 October 2016 in relation to the establishment of independent board committee; (iii) the announcement of the Company dated 21 November 2016 in relation to the appointment of an independent third party investigator; (iv) the announcement of the Company dated 12 December 2016 in relation to the resumption conditions of the Company; and (v) the announcement of the Company dated 7 February 2017 in relation to the update on the appointment of independent third party investigator (collectively, the “**Announcements**”). Unless the context otherwise requires, the capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

REVISED TERMS OF APPOINTMENT OF INDEPENDENT THIRD PARTY INVESTIGATOR

The Independent Board Committee has entered into a revised engagement letter with Grant Thornton (“**GT Engagement Letter**”) to expand the scope of its investigation to cover the allegations set out in the negative reports from Emerson Analytics Co. Ltd. on 10 August 2016, 26 August 2016 and 7 September 2016 (collectively, the “**Emerson Reports**”), apart from the issues and matters referred to in the Letters.

The revised scope as set out in the GT Engagement Letter is as follows:

- (A) In respect of certain inconsistencies and/or irregularities noted in the Letters, Grant Thornton would perform procedures including but not limited to the following:
- to review matters as set out in the Letters and conduct interview with EY to understand the details of the issues noted in the Letters;
 - to conduct interview with the management and the Independent Board Committee of the Company;

- to discuss with relevant personnel of the subsidiary companies in question to understand the sales related process and procedures;
- to inspect sales records and related supporting documents in relation to sales to customers in question for the year ended 30 June 2016 (“FY16”);
- to verify value-added tax (“VAT”) sales invoices in relation to sales to customers in question through online verification system and respective tax authority;
- to seek and obtain direct confirmations from major customers of the subsidiary companies in question to verify their accounts receivable balances, settlements and the total value of the transactions entered into with them in FY16;
- to discuss with relevant personnel of the subsidiary companies in question to understand the treasury process and procedures;
- to pay a visit to the relevant banks to obtain the bank statements in question;
- to review bank balance and bank records of payments and receipts of the relevant bank of the subsidiary companies in question in FY16;
- to discuss with relevant personnel of the subsidiary companies in question to understand the purchases related process and procedures;
- to seek and obtain direct confirmations from major suppliers of the subsidiary companies in question to verify their accounts payable balances, payments and the total value of the transactions entered into with them in FY16;
- to pay independent visits and conduct interview with the representatives of the major customers and suppliers of the subsidiary companies in question;
- to understand the VAT and enterprise income tax (“EIT”) filings performed by the subsidiary companies in question;
- to conduct interview with the representative of the tax authority and obtain direct tax confirmation for the year of assessment 2015 and 2016; and
- to conduct data analytics on bank accounts, accounts receivable accounts, accounts payable accounts, VAT payables accounts, EIT payables accounts, sales accounts and inventories accounts of the subsidiary companies in question in FY16.

(B) In respect of issues and matters referred to in the Emerson Reports, Grant Thornton would perform procedures including but not limited to the following:

- to review matters as set out in the Emerson Reports and the announcements of the Company dated 17 August, 29 August and 6 September 2016, and conduct interview with EY to understand audit concerns arising from the allegations set out in the Emerson Reports;
- to conduct interview with the management and the Independent Board Committee of the Company;

- to discuss with relevant personnel of the Company and its subsidiary companies in question to understand the sales related process and procedures;
- to inspect sales records and related supporting documents in relation to sales of products in question during the year ended 30 June 2011 (“**FY11**”) to the year ended 30 June 2013 (“**FY13**”);
- to verify VAT sales invoices in relation to sales of products in question through online verification system and respective tax authorities;
- to seek and obtain direct confirmations from major customers of the subsidiary companies in question to verify their accounts receivable balances, settlements and the total value of the transactions entered into with them during FY11 to FY13;
- to discuss with relevant personnel of the subsidiary companies in question to understand the treasury process and procedures;
- to obtain direct bank confirmations of bank accounts held by the subsidiary companies in question to verify the balances as at the end of FY11, 30 June 2012 and FY13, respectively;
- to pay a visit to the relevant banks to obtain the bank statements of bank accounts held by the subsidiary companies in question;
- to review bank balance and bank records of payments and receipts of the relevant banks of the subsidiary companies in question in FY13;
- to discuss with relevant personnel of the subsidiary companies in question to understand the related process and procedures regarding the purchases of the machinery, equipment and land in question (“**Relevant Fixed Assets**”);
- to seek and obtain direct confirmations from the vendors of the Relevant Fixed Assets to verify the payable balances, payments and the total value of the transactions entered into with them since FY11;
- to pay independent visits and conduct interview with the representatives of the major customers of the products in question and the vendors of the Relevant Fixed Assets;
- to inspect purchases records and related supporting documents in relation to purchases of the Relevant Fixed Assets;
- to carry out physical inspection of the Relevant Fixed Assets;
- to conduct background check for potential connected parties who may be involved in the acquisition of the Relevant Fixed Assets and/or other non-operating/unusual transactions;
- to reconcile the book of accounts of subsidiary companies in question with the relevant records filed with the relevant government authorities;

- to conduct data analytics on bank accounts, accounts receivable accounts, accounts payable accounts, sales accounts and inventories accounts of the products in question in FY13; and
- to forensically examine the storage media in the computers of the relevant personnel of the Company.

Grant Thornton has yet to commence fieldwork because the management of the Group is preparing the information requested by Grant Thornton. It is currently expected that the first draft report of the independent investigation will be completed around 16–20 weeks after commencement of the fieldwork of Grant Thornton.

SUSPENSION OF TRADING

At the request of the Company, trading in the Company's shares (stock code: 00587) and debt securities (stock code: 05676) have been suspended on The Stock Exchange of Hong Kong Limited 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, 28 February 2017

As at the date of this announcement, the Board comprises Mr. Zhang Peter Y., Mr. Deng Jie, Mr. Zhou Chong Ke, Mr. Chen Lei and Mr. Luo Zhan Biao as executive Directors, Mr. Tarn Sien Hao as non-executive Director, and Professor Lin Shu Guang, Professor Zhou Xin and Mr. Tso Sze Wai as independent non-executive Directors.