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Huishan

CHINA HUIZHAN DAIRY HOLDINGS COMPANY LIMITED

中國輝山乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 06863)

UPDATE ANNOUNCEMENT

- Hong Kong court rejects application to freeze Company assets in Hong Kong.
- Company requires additional time to verify its financial position before an update can be given to shareholders.
- Each of the independent non-executive director of the Company, namely Mr. SONG Kungang, Mr. GU Ruixia, Mr. TSUI Kei Pang and Mr. KAN Yu Leung Peter, has tendered his resignation as an independent non-executive director of the Company and his respective roles with the Company with effect from 31 March 2017.
- As a result of the resignations of all of the INEDs to date, the remaining directors of the Company are Mr. YANG Kai, Ms. GE Kun, Mr. SO Wing Hoi, Mr. XU Guangyi and Mr. KWOK Hok Yin, all being executive directors of the Company.

HONG KONG COURTS REJECT APPLICATION TO FREEZE COMPANY ASSETS IN HONG KONG

The board of directors (the “Board”) of China Huishan Dairy Holdings Company Limited (the “Company”) has noted press articles that report on a mainland asset management company having applied to the Court of First Instance (the “Court”) for orders to freeze the assets in Hong Kong of the Company and those of Mr. Yang Kai, his wife and Champ Harvest Limited (a company through which Mr. Yang Kai owns a controlling stake in the Company).

On 30 March 2017, the Company notes, by reference to court documents filed with the Court, 歌斐資產管理有限公司 (Gopher Asset Management Co., Ltd), had applied to the Court seeking an injunction to freeze the assets in Hong Kong of the Company and those of Mr Yang Kai, his wife and Champ Harvest Limited, in aid of legal proceedings commenced by Gopher Asset Management Co., Ltd against Mr Yang Kai, his wife and the Company in Shanghai. The court documents show that the application to freeze the assets of the Company in Hong Kong was rejected and the Court did not grant an interlocutory injunction against the Company. Gopher Asset Management Co., Ltd alleged in their application, that it was a creditor of one of the Company's subsidiaries in Mainland China and that the Company had guaranteed such debts in the amount of about RMB 546 million (about HK\$615 million).

STATUS OF VERIFICATION OF THE COMPANY'S FINANCIAL POSITION

Following its announcement on 28 March 2017, Ms Ge Kun, one of the Company's executive directors remains uncontactable. Out of a concern for her whereabouts, the Company has also lodged a missing person's report with the Hong Kong police as she was last known to be in Hong Kong. Given that she oversaw and managed the treasury and cash operations (including expenses) of the Company and its subsidiaries (the "Group"), the Company has re-tasked management and personnel to undertake a review and verification of the Group's financial position, giving priority to a verification of its cash position. The Company has more than 80 subsidiaries and this and related financial verification work has taken longer than initially expected given management has also had to be engaged in meetings with its creditors, shareholders and potential investors. Given the coming holidays in Mainland China for Chang Ming where banks and other companies will be closed for the public holidays, the Company expects this process of verifying its financial position to continue for some more time.

Absent any other material development, the Company intends to announce another update in the week commencing 10 April 2017.

RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board further announces that each of Mr. SONG Kungang ("Mr. Song"), Mr. GU Ruixia ("Mr. Gu"), Mr. TSUI Kei Pang ("Mr. Tsui") and Mr. KAN Yu Leung Peter ("Mr. Kan") has tendered his resignation as an independent non-executive director of the Company ("INED") with effect from 31 March 2017 for the respective reason set out below:

- (a) Mr. Song would like to spend more time on his other business and commitments. As a result, Mr. Song will also cease to be the chairman of the Nomination Committee of the Company and a member of each of the Audit Committee and the Food Quality and Safety Advisory Committee of the Company;
- (b) Mr. Gu is getting increasingly busy with his other commitments and is afraid he may not have sufficient time to perform his duties as an INED. As a result, Mr. Gu will also cease to be a member of each of the Remuneration Committee, the Nomination Committee and the Food Quality and Safety Advisory Committee of the Company;

- (c) Mr. Tsui would like to concentrate on his company's business and personal commitment which requires more of his dedication. As a result, Mr. Tsui will also cease to be a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Food Quality and Safety Advisory Committee of the Company; and
- (d) Mr. Kan would like to concentrate on his other own commitments which require more of his dedication. As a result, Mr. Kan will also cease to be the chairman of each of the Audit Committee and the Remuneration Committee and a member of each of the Nomination Committee and the Food Quality and Safety Advisory Committee of the Company.

Each of Mr. Song, Mr. Gu, Mr. Tsui and Mr. Kan has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

Following the resignation of these INEDs, the remaining members of the following Board committees are as set out below:

	Audit Committee	Remuneration Committee	Nomination Committee	Food Quality and Safety Advisory Committee
YANG Kai	—	—	Member	Chairman
GE Kun*	—	Member	Member	Member
SO Wing Hoi	—	Member	Member	Member
XU Guangyi	—	—	—	Member
KWOK Hok Yin	—	—	—	Member

* *cannot be contacted at this time*

As a result, the Company fails to meet the requirements regarding the number and qualification of INEDs under Rules 3.10 and 3.10A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and the composition of the Audit Committee and the Remuneration Committee of the Company under Rules 3.21 and 3.25 of the Listing Rules.

The Board is in the process of identifying suitable candidates to fill the positions of the INEDs as soon as practicable and in any event within three months from the date of this announcement pursuant to Rule 3.11 of the Listing Rules.

The Board would like to express its gratitude to each of Mr. Song, Mr. Gu, Mr. Tsui and Mr. Kan for his contributions during his term of office.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been halted with effect from 1:00 p.m. on 24 March 2017. Until such time as the Board has been able to ascertain an updated position of the Company's financial position, the suspension will remain in place.

By Order of the Board
China Huishan Dairy Holdings Company Limited
Yang Kai
Chairman

Shenyang, 31 March 2017

As at the date of this announcement, the board of directors of the Company comprises Mr. Yang Kai, Ms. Ge Kun, Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin as executive Directors.