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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

- The Group continues to do business in the ordinary course.
- A debt restructuring adviser has been appointed to assist in formulating and negotiating a possible restructuring with creditors.
- As of 31 May 2017, the Group is aware of 16 additional legal proceedings initiated in the PRC by third parties against certain members of the Group where the claims in aggregate, are approximately RMB421.8 million.

### OPERATIONAL UPDATE OF THE GROUP

China Huishan Dairy Holdings Company Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) continues to do business in the ordinary course. Set out below is an update on the Group’s business operations for the financial year ended 31 March 2017 (“**FY2016/2017**”) and for the month ended 30 April 2017. The information set out below is based on the unaudited management accounts of the Company for FY2016/2017 and for the month ended 30 April 2017.

The Group’s sales for FY2016/2017 was approximately RMB5.504 billion, representing an increase of approximately 21.6% compared to the financial year ended 31 March 2016 primarily due to the increase in sales of liquid milk products. Sales for April 2017 was approximately RMB257 million, down by about 41.3% when compared to the corresponding month in 2016. This is, in part, due to the tightening of credit policy of certain major suppliers/creditors subsequent to the suspension of trading in shares of the Company in late March 2017 which has an adverse impact on the cash flow of the Group but, given such circumstances, the Group continues to do business in the ordinary course.

Based on the information provided by creditors of the interest bearing loans, as of 31 March 2017, the unaudited interest bearing loans and the contingent liabilities of the Group were approximately RMB22.9 billion and RMB3.9 billion, respectively.

The Group's members of senior management, including Mr. Xu Guangyi (who resigned as an executive Director to spend more time to the day-to-day operations of the Group as per the Company's announcement dated 5 April 2017), Mr. Kwok Hok Yin (who resigned as an executive Director to focus on the Group's business-to-business segment and dairy ingredient business of the Group as per the Company's announcement dated 18 April 2017) and other senior management members of the Group as stated in the latest annual report of the Company (except that Mr. Michael Chou has resigned as the company secretary of the Company to focus on his other responsibilities within the Group primarily as the finance director of Friesland Huishan Dairy Ltd. as per the Company's announcement dated 26 April 2017), continue to drive the business operations of the Group. Further, whilst Mr. Yang Kai ("**Mr. Yang**") continues to focus on liaising with creditors and other financial institutions, his son Mr. Yang Jianing has been appointed as a vice-president of the Group to assist in the sales and marketing of the liquid milk business of the Group.

#### **APPOINTMENT OF DEBT RESTRUCTURING ADVISOR**

Mr. Yang has informed the Company that he has engaged Shenzhen Fuhai Yintao Asset Management Co., Ltd. as a debt restructuring advisor to advise on possible debt restructuring arrangements involving the Group and companies owned by Mr. Yang as a whole, and to assist in formulating and negotiating with the creditors of a possible restructuring.

#### **ADDITIONAL LEGAL PROCEEDINGS IN PRC**

As of 31 May 2017, in addition to the proceedings brought by 歌斐資產管理有限公司 (Gopher Asset Management Co., Ltd\*) as announced by the Company on 31 March 2017 and 10 April 2017, the Group is aware of 16 additional legal proceedings, including 15 court proceedings and one arbitration proceeding, initiated in the PRC whereby certain members of the Group are defendants or respondents (as the case may be) in various contractual disputes with third parties. The total amount claimed under these proceedings is approximately RMB421.8 million.

The Group is taking legal advice with respect to the above.

**Yang Kai**

*Chairman of the Board of*

**China Huishan Dairy Holdings Company Limited**

Shenyang, 1 June 2017

*As at the date of this announcement, the board of directors of the Company comprises Mr. Yang Kai as an executive Director.*

\* *for identification purposes only*