

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.



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

This announcement is made by China Huishan Dairy Holdings Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

DEBT RESTRUCTURING PROPOSALS

The Company has been informed by Mr. Yang Kai, its Chairman and controlling shareholder, that his debt restructuring adviser expects to engage with creditors of Mr. Yang Kai and his companies (including the Company) in respect of debt restructuring proposals. Given that a number of creditors are common to the Company and its subsidiaries (the “**Group**”), on the one hand, and Mr. Yang Kai and other companies (“**YK Entities**”), on the other hand, the debt restructuring adviser has come to a view that a more realistic approach to debt restructuring would involve discussions with creditors of the Group and the YK Entities at the same time. The debt restructuring adviser believes that it is unlikely for creditors of the YK Entities to agree debt restructuring if such creditors’ exposure to the Group is also not resolved at the same time.

The Company has been informed that the debt restructuring proposals, if supported by a sufficient number of creditors of the Group and the YK Entities, contemplate grouping the businesses and/or assets of the Group and selected YK Entities under an intermediate holding company established in the People’s Republic of China (“**PRC**”) wholly owned by the Company and result in the Company being held by some PRC creditors, non-PRC creditors, the existing shareholders of the Company and management. The relative percentages are not yet decided and subject to negotiation. The intention of some equity participation for management is to ensure a team to continue with operations pending the eventual identification of a white knight to recapitalise the newly established group. Some creditors

may also become creditors of the intermediate holding company established in the PRC. Any such debt restructuring proposals would need to be carried out subject to such regulatory and judicial consents and approvals, where applicable.

The debt restructuring adviser will be presenting some financial information on the Group and the YK Entities. Such information has been compiled based on management information and, in respect of the Group, may reflect financial information prepared on bases different from that of the Group's international financial reporting standards (“IFRS”). For example, in the absence of consolidation, some financial information is not reflective of the Group's consolidated financial position, the values of biological assets would be vastly different given that the relevant information is not compiled on a fair value basis and some financial estimates of certain assets are based on discounted values assuming a liquidation scenario. Consequently, the Company wishes to state that any financial information in such debt restructuring proposals should not be taken as reflective of the Group's financial position on a consolidated basis, prepared in accordance with IFRS.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE (“IBC”)

The Group is still in the course of verifying its financial position. Specifically, given the reconstitution of the board of directors (the “**Board**”) recently, the Board has established an IBC comprising its independent non-executive directors for the purpose of investigating the financial position of the Group, both past and present, and for such IBC to have the power and authority to engage a professional forensic accountant for and on behalf of the Company to assist the IBC in their investigation. The IBC is currently seeking fee proposals from a number of accounting firms. The IBC is aware of such debt restructuring proposals but until the IBC's own work to better understand the Group's financial position has progressed and a more advanced proposal is established to be feasible for consideration by the Company and the Group's creditors, the Company and the IBC is not in a position to otherwise comment on such debt restructuring proposals.

CONTINUED SUSPENSION IN TRADING OF SHARES

In light of the above and the Company not having complied with the resumption conditions as stated in its announcement of 23 June 2017, trading in the shares of the Company will remain suspended.

The above debt restructuring proposals may or may not be implemented. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

Yang Kai

For and on behalf of the Board of

China Huishan Dairy Holdings Company Limited

Shenyang, 3 July 2017

As at the date of this announcement, the board of directors of the Company comprises Mr. Yang Kai as an executive Director; Mr. Chu Kin Wang Peleus, Mr. Cheung Ngai Lam and Mr. Chung Wai Man as independent non-executive Directors.