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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 the board (the “**Board**”) of directors (the “**Directors**”) of China Huishan Dairy Holdings Company Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.19 and Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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).

The Company wishes to provide its shareholders with the following update:

UPDATE ON DEBT RESTRUCTURING PROPOSALS

Further to the announcement of the Company dated 3 July 2017 in respect of debt restructuring proposals, the Company has been informed by Mr. Yang Kai, its Chairman and controlling shareholder, that his debt restructuring adviser was informed that more than half in number of the PRC creditors (including both secured and unsecured creditors) of the Group and of Mr. Yang and other companies (“**YK Entities**”), respectively, representing over two thirds of the outstanding amount due by the Group or YK Entities, respectively, as of 31 March 2017, have signed an agreement to act in concert (“**Concert Party Agreement**”) and support, in principle, an overall debt restructuring. The Concert Party Agreement contemplates some or all of the Company’s PRC subsidiaries and, separately, the YK Entities being the subject of judicial proceedings for an insolvent debt restructuring with a common outcome that businesses and/or assets of the Group and onshore YK Entities be, subject to PRC legal proceedings and requirements, injected into an intermediate holding company established in the PRC wholly owned by the onshore creditors (the “**New Company**”). Under the Concert Party Agreement, the board of directors of the New Company will discuss with offshore creditors of the Group and YK Entities with respect to restructuring of offshore debts.

The Group has been benefitting from an informal standstill by large majority of its creditors in the PRC and for this, the Company is appreciative and grateful.

The Company is seeking PRC legal advice over the above matters to ensure that the debt restructuring will safeguard the interests of the Group in accordance with the relevant laws and regulations.

UPDATE ON OPERATIONS OF THE GROUP

Despite the circumstances faced by the Group since late March 2017, the Group has continued to do business in the ordinary course, thanks to the support and cooperation of various stakeholders, including the local government, domestic banks, suppliers, distributors and its employees. As a result of a recent improvement in market conditions for the Group's products, the Group noted an increasing trend in the average selling price of raw milk and the Group's daily production volume of raw milk has also picked up gradually. The Group continues to receive, and is grateful for, support from its suppliers, some of whom have also started to resume the grant of credit to the Group.

The Group also recorded a historical high production of self-grown feed this year, which paved the way for good feed stores for the Group's dairy cows in 2018. In addition, recently, the Group has also noted a significant increase in the selling price of calves and dairy cows culled by the Group which is favourable to the Group in the event that it decides to sell such calves and/or cows in the market. Overall, the Group is on track to have positive cash flow from normal operating activities on a monthly basis and remains hopeful to achieve this by 31 March 2018. The cash position of the Group is closely monitored by the PRC creditors.

The Group has been able to pay all of the monthly payroll for its employees. Payments which remain outstanding in respect of past periods is expected to be settled by the end of this year. The Group is deeply grateful for the support shown by its employees.

COURT PROCEEDINGS COMMENCED FOR THE LIQUIDATION OF CHAMP HARVEST LIMITED

The Company has been informed by Mr Yang Kai that Champ Harvest Limited, who is the registered holder of 9,535,896,316 shares in the Company, representing 70.76% of the issued shares of the Company as at the date of this announcement, has been served by a major creditor of Champ Harvest Limited with application for the commencement of liquidation proceedings against Champ Harvest Limited.

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

Shenyang, 1 November 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.