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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)

POSSIBLE STRATEGIC PARTNERSHIP WITH FRIESLANDCAMPINA AND RESUMPTION OF TRADING

The Board is pleased to announce that on 8 May 2014, the Company entered into the non-legally binding term sheet with FrieslandCampina in relation to the possible partnership between the parties through the formation of joint venture to produce, market and sell high quality infant milk formula products in the PRC.

The Board wishes to emphasize that no binding agreement in relation to the Proposed Joint Venture has yet been entered into as at the date of this announcement. As such, the Proposed Joint Venture may or may not proceed. Further announcement in respect of the Proposed Joint Venture will be made by the Company in the event any Formal Agreements have been signed.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was halted at the request of the Company with effect from 1:00 p.m. on 8 May 2014 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 9 May 2014.

This announcement is made by the Company pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

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MAJOR TERMS OF THE TERM SHEET

The purpose of the joint venture to be established is to operate a fully integrated infant formula supply chain, whereby the Company and FrieslandCampina shall both leverage on their respective experience and expertise to produce, market and sell high quality infant milk formula products in the PRC. The Company and FrieslandCampina will jointly own an existing infant milk formula production facility in Liaoning and will be jointly responsible for sales and marketing.

The Company will provide its high quality raw milk from its own dairy farms in China to the joint venture whilst the joint venture shall produce dairy products including an infant milk formula brand that will be introduced to the Chinese market. Both companies will continue their own infant formula businesses separately. As such the Company's Huishan brand will continue to be owned and marketed by the Company, and FrieslandCampina's "Friso" brand will continue to be owned and marketed by FrieslandCampina and will remain to be exclusively produced in the Netherlands. The activities of the joint venture are expected to be subject to licence agreements between the joint venture and FrieslandCampina.

The Formal Agreements shall be subject to conditions precedent including satisfactory due diligence and other conditions customary to this type of transaction.

It is also agreed that until either party confirms that it has no intention to continue with the Proposed Joint Venture, or for so long as the joint venture partnership is in place, the Company shall not negotiate an identical or substantially the same arrangement with multinational dairy companies, whilst FrieslandCampina shall not negotiate an identical or substantially the same with Chinese dairy companies.

Other than the exclusivity requirement referred to above and certain other administrative provisions, the Term Sheet is not legally-binding in respect of the Proposed Joint Venture. The consummation of the Proposed Joint Venture is subject to the execution and completion of the Formal Agreements.

Both the Company and FrieslandCampina will proceed to the negotiation for legally-binding Formal Agreements as soon as practicable.

REASONS FOR AND THE BENEFITS OF THE PROPOSED JOINT VENTURE

The Group is a leading and the most vertically integrated dairy company in the PRC. Its business covers the entire dairy value chain from growing and processing of alfalfa and supplementary feeds, processing of concentrated feeds, dairy farming and processing and sales of dairy products under the "Huishan" brand.

As informed by FrieslandCampina, FrieslandCampina is one of the world's five largest dairy companies with annual revenue of 11.4 billion euro. FrieslandCampina supplies consumer products such as infant nutrition, dairy-based beverages, cheese and desserts in Europe, in Asia and in Africa. FrieslandCampina also supplies ingredients and half-finished products to manufacturers of infant nutrition, the food industry and the pharmaceutical sector around the world. In the PRC, FrieslandCampina is known by Friso, a premium brand in infant food and by the sales of ingredients to Chinese food and infant food companies. In November 2013 FrieslandCampina, Wageningen University and the China Agricultural University set up the Sino Dutch Dairy Development Centre to improve dairy production, safety and quality levels throughout the entire dairy chain in the PRC.

The Directors believe that the Proposed Joint Venture, if successful, will be an important step for the Group to further develop and enhance its production, sales and marketing capabilities. Through the partnership with FrieslandCampina, the Group will be able to leverage on the experience, know-how and sales network of FrieslandCampina. The Directors believe that the Proposed Joint Venture will mutually benefit the parties in their respective production, sales and marketing capabilities both on a local and international scale. The parties are existing partners in the production of non-dairy creamers.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors from time to time
“Company”	China Huishan Dairy Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company

“Formal Agreements”	the formal agreements which may or may not be entered into in relation to the Proposed Joint Venture
“FrieslandCampina”	FrieslandCampina International Holding B.V., a company established under the laws of the Netherlands and a wholly-owned subsidiary of Royal FrieslandCampina N.V.
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement includes the Hong Kong SAR and the Macao SAR
“Proposed Joint Venture”	the proposed equity investment by FrieslandCampina in the Company’s milk powder production facility in Liaoning and the joint responsibility to market and sell high quality infant milk formula products in the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholders”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term Sheet”	the non-legally binding term sheet dated 8 May 2014 entered into between the Company and FrieslandCampina setting out the preliminary understanding in relation to the Proposed Joint Venture

By order of the Board
China Huishan Dairy Holdings Company Limited
Michael Chou
Company Secretary

Shenyang, 8 May 2014

As at the date of this announcement, the board of directors of the Company comprises Yang Kai, Ge Kun, So Wing Hoi, Xu Guangyi and Kwok Hok Yin, as executive Directors; Cheng Chi Heng and Li Kar Cheung, as non-executive Directors; Francis Siu Wai Keung, Song Kungang, Gu Ruixia and Tsui Kei Pang, as independent non-executive Directors.