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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 ON FINANCIAL POSITION

This announcement is made 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).

China Huishan Dairy Holdings Company Limited (the “**Company**”) is liaising with the banks and other creditors of the Company and its subsidiaries (the “**Group**”) for the purpose of updating them with the Group’s latest unaudited financial position so as to discuss and negotiate for a standstill with the objective of ensuring the continued operations of the Group. Such discussions would involve a possible debt restructuring proposal of the Group.

Following the disappearance of Ms. Ge Kun since March 2017, who was in charge of the treasury function of the Group, and the resignations of the key personnel in the Group’s treasury department, the Group has encountered tremendous difficulties in preparing its management accounts, in particular, the Group’s financial information with respect to its cash, receivables, payables and borrowings.

As part of its efforts in the last two months, the Group has made various attempts to assess its current financial position as at 31 March 2017 notwithstanding the above limitation faced by the Group.

Although the Group has not been able to complete the verification of its financial position, it does intend to share with its creditors its financial position based, to the extent possible, on its management accounts and records and bank confirmations received prior to 31 May 2017. On such bases, the Groups sets out below its estimated financial position as at 31 March 2017.

The Group's unaudited assets as at 31 March 2017

As at 31 March 2017, the total estimated assets net of provision of the Group was approximately RMB26.22 billion, primarily comprising cash and cash equivalents of approximately RMB467 million, property, plant and equipment of approximately RMB7.99 billion, biological assets of approximately RMB6.81 billion and rental prepayments of approximately RMB3.75 billion, inventory of approximately RMB1.40 billion and other assets of approximately RMB5.8 billion.

Based on the Group's incomplete management accounts, its cash and cash equivalents as at 31 March 2017 amounted to approximately RMB2.9 billion but the bank confirmations received from the banks amounted to approximately RMB467 million. This significant discrepancy is subject to further clarification.

Based on the bank confirmations so far received on or before 31 May 2017, of the amount of approximately RMB467 million cash and cash equivalents, an amount of approximately RMB450 million represents restricted bank deposits, meaning they are deposits subject to restrictions imposed by the relevant banks.

The Group's unaudited indebtedness as at 31 March 2017

As at 31 March 2017, the Group's estimated total indebtedness was approximately RMB26.73 billion, comprising bank and non-bank loans of approximately RMB18.71 billion and approximately RMB4.25 billion and other liabilities of RMB3.8 billion respectively. The Group also believes that it has guaranteed third party entities in the amount of approximately RMB3.94 billion which it continues to verify.

Please note that in light of the above disappearance of Ms. Ge Kun and the resignations of the key personnel of the Group's treasury department and the incomplete financial information, no assurance is given that the financial position of the Group as at 31 March 2017 set out in this announcement is complete and accurate and is prepared in accordance with general accepted accounting principles. Accordingly, the financial information shown in this announcement may contain incomplete information which require clarification and or are subject to changes should further information made available to the Group such as outstanding bank confirmations and accordingly, it may not accurately reflect the financial position of the Group as at 31 March 2017.

Next steps

The Group will continue to work with its advisors, creditors and other stakeholders towards formulating and negotiating a possible debt restructuring plan.

Further, the Group will take appropriate steps to engage a forensic accountant to investigate the Group's deficiency in its financial statements.

In light of the above, the Company will not be in a position to publish the audited results of the Group for the year ended 31 March 2017 on or before 30 June 2017, being the deadline to do so under the Listing Rules.

Trading in the shares of the Company will remain suspended.

On a personal note, I am grateful, as Chairman, for the continued support of the Group's stakeholders, namely the government, its creditors, customers, employees and shareholders.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

Yang Kai

Chairman of the Board of

China Huishan Dairy Holdings Company Limited

Shenyang, 5 June 2017

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