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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)

INSIDE INFORMATION

RESUMPTION OF TRADING

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

The Company noticed that the Hebei Food and Drug Administration (the “Hebei Food & Drug Administration”) had issued a notice on 18 September 2015 in relation to suspension of sales of the Group’s high-calcium milk (240ml) in Tetra Pak pillow-shape package manufactured on 10 July 2015 (with expiry date on 25 August 2015) on the grounds that “excessive sodium thiocyanate” was found in risk monitoring item of such products.

In addition, the Company noticed that a report entitled 《遼寧輝山乳業高鈣牛奶檢出有毒物質硫氰酸鈉請停止購買和使用》 (Stop Buying or Using Sodium-thiocyanate Poisoned Liaoning Huishan Dairy High-calcium Milk) which was published on the official website of Hebei Food & Drug Administration, was reproduced on www.caq.org.cn on 24 September 2015. Such report was widely reproduced on other websites and foreign websites with follow-up reports after becoming headlines of certain local news channels.

In response to the above:

On 18 September 2015, the Group immediately sent its non-expired dairy products to two third-party laboratories for testing, namely Beijing Pony Testing Technology Co., Ltd. (北京譜尼測試科技股份有限公司) (a testing laboratory with international CNAS certification) and Shenyang Food Testing Centre

(瀋陽食品檢驗所). According to the test report of Beijing Pony Testing Technology Co., Ltd., the levels of sodium thiocyanate in the Company's high-calcium milk samples, which were manufactured on 10 September 2015, were lower than the national reference level. According to the test report of Shenyang Food Testing Centre, the level of sodium thiocyanate in the high-calcium milk samples manufactured on 16 September 2015 were also lower than the national reference level.

Furthermore, the Group also carried out internal quality inspection. The batch of product in question was manufactured in the Group's Jinzhou plant with all raw milk sourced from Jinzhou. The Group found that there were no sodium thiocyanate found when the raw materials are in transit to the plant and such transit arrangements are compliant with relevant requirements. Hence, the raw materials, primarily calcium carbonate and vitamin D3, cannot be the source of contamination.

On 27 September 2015, according to the latest inspection results of Liaoning Food and Drug Administration, no sodium thiocyanate was found in any part of the manufacturing process of the Group. Liaoning Food and Drug Administration also tested all products sold by the Group within the province, and the sodium thiocyanate level of such products was lower than the national reference level.

On 28 September 2015, the test results of the China National Food & Safety Supervision and Inspection Center also showed that all products of the Group had passed their quality inspection.

In the evening of 28 September 2015, Hebei Food & Drug Administration issued a notice on emergency test results on dairy products of Liaoning Huishan Group (Shenyang, Jinzhou) Co., Ltd. (遼寧輝山乳業集團(瀋陽、錦州)有限公司) sold in Hebei. The notice stated that, in light of the risk exposures regarding sodium thiocyanate in dairy products, it had recently conducted an emergency sample test on additional seven batches of products sold in Hebei labelled as manufactured by Liaoning Huishan Group (Shenyang, Jinzhou) Co., Ltd. (遼寧輝山乳業集團(瀋陽、錦州)有限公司). No sample in such seven batches of products had contained sodium thiocyanate in excess of the national food safety reference level.

The Company would like to clarify that sodium thiocyanate is a natural ingredient in milk. Although sodium thiocyanate is one of the items monitored under national food safety monitoring, there is currently no standard limit of sodium thiocyanate prescribed by the authorities. The reference level of "not exceeding 10mg/kg" prescribed by certain food safety plan (see below) is not the maximum tolerance level prescribed by authorities, and it is for reference only. According to an external test on the Group's raw milk conducted in June 2015, the level of sodium thiocyanate ranged between 0.7–2.74 mg/kg, which was within the normal range.

As one of the domestic pioneers in securing the safety of dairy products through a fully integrated business model, all dairy products of the Group are 100% manufactured from its own milk sources. This enabled the Group to prevent problems in relation to core issues of safety and ensure freshness at source, and products produced do not contain excessive amounts of sodium thiocyanate.

The Company is of the view that the above circumstances have insignificant impact on its product sales. For the year ended 31 March 2015, the sales of liquid milk of the Group in the three northern provinces accounted for 97.24% of its total sales of liquid milk, where sales in Hebei accounted for only 1.18%. The sales volume of the products in question amounted to less than RMB280,000.

In order to clarify the above circumstances, the Group will continue its communication with the Hebei Food & Drug Administration on the following issues:

Questionable testing procedures:

Pursuant to Articles 3.1 and 5.3 of the Practices of Food Safety Supervision, Sample Test and Risk Monitoring (《食品安全監督抽查和風險監測工作規範》), in the event that an authority finds that the risk level is too high under the relevant test results, it may make an enquiry to the company involved and allow time for the company's explanation and review. However, the Group has not received any notice directly from Hebei Food & Drug Administration regarding the subject high-calcium milk so far. The Group only noticed the product recall order indirectly from the media. At that time, the batch of product in question had expired for 23 days, and hence further deprived the Group's right to explain and apply for review. Moreover, objective verification cannot be made on relevant test results given such products long expired already by the time the notice was issued. This procedural defect has materially prejudiced the legitimate interests of the Group;

Questionable test results:

According to laboratory accreditation published by the China National Accreditation Service for Conformity Assessment ("CNAS"), the accreditation to the Inspection and Quarantine Technology Center of Qinhuangdao Entry-Exit Inspection and Quarantine Bureau, as appointed by Qinhuangdao Food and Drug Administration, (which the Group understands is the laboratory which the Hebei Food & Drug Administration relied on in its Sale Suspension notice) does not include testing for sodium thiocyanate. Therefore, the above center is not qualified to conduct sodium thiocyanate testing on the Group's high-calcium milk. Hence, the report issued by the above center is neither professional nor authoritative;

Questionable conclusion:

Currently, no requirements are imposed in China on the limits of sodium thiocyanate in raw milk. To improve food safety, China Food and Drug Administration has implemented Food Safety and Inspection by Sampling and Risks Monitoring Plan since 2014, and amongst other things, "sodium thiocyanate (calculated based on thiocyanate)" is prescribed for monitoring under dairy products risks monitoring, with specific inspection methodology. In order to standardize the benchmarks when determining whether the sample in question is problematic when conducting food safety and inspection by sampling and monitoring plan, the benchmark for liquid sodium thiocyanate risks prescribed by China Food and Drug Administration shall be "not exceeding 10mg/kg". The Company considers the conclusion reached by Hebei Food & Drug Administration with reference to this benchmark to be unreasonable, and such allegation against the Group that its products did not meet relevant food safety

standards is without merit. The Hebei Food & Drug Administration failed to arrange qualified experts to conduct risk assessments as required under applicable law. Up to now, it did not make any notification to parties involved to conduct verification and disposition. As such, its conclusion is inappropriate;

Inappropriate publication of conclusion:

As expressively provided in Article 25 of Administrative Provisions on Food Safety Risk Monitoring (for Trial Implementation): without approval by Food and Drug Administration, no entity or individual shall divulge or release to the public risk monitoring data regarding food safety and other related information. As the regulator of food industry, Food and Drug Administration shall report test results based on the principles of objectivity, impartiality and fairness. However, the report headed “Food Safety Warning (III)” on the official website of Hebei Food & Drug Administration is subjective and misleading by using an inappropriate warning that there is excessive sodium thiocyanate due to additions by the Group. This hasty and subjective disclosure not only brought immense negative influence on the Company, but may also give rise to unnecessary harm to the domestic dairy industry, causing panic generally to consumers.

Based on the above, the Group proactively communicated with and appealed to China Food and Drug Administration on 28 September 2015, and will provide updates as and when appropriate.

The Company is taking legal advice and reserves its rights to take legal actions against third parties who are the source of, or circulate, unsubstantiated claims about the product safety of the Group’s products.

RESUMPTION OF TRADING

Trading in the Shares was halted at the request of the Company with effect from 9:00 a.m. on 29 September 2015 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 30 September 2015.

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

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

Shenyang, 29 September 2015

As at the date of this announcement, the Board of the Company comprises Mr. Yang Kai, Ms. Ge Kun, Mr. So Wing Hoi, Mr. Xu Guangyi and Mr. Kwok Hok Yin as executive Directors; Mr. Li Kar Cheung as a non-executive Director; Mr. Song Kungang, Mr. Gu Ruixia, Mr. Tsui Kei Pang and Mr. Kan Yu Leung Peter as independent non-executive Directors.