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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)

UNUSUAL DECREASE IN SHARE PRICE

The board of directors (the “**Board**”) of China Huishan Dairy Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has noted that during the morning trading session on 24 March 2017, the price of the shares in the Company dropped to an intra-session low of HK\$0.25 per share before recovering to close at HK\$0.42 per share at 12:00 p.m., being a decrease of about 85% of the closing price as quoted on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 23 March 2017. In the circumstances and as stated in the Company’s announcement dated 24 March 2017, a trading halt was requested.

After enquiry by the Company, we have noted rumours in the market included one that Bank of China had undertaken an audit of the Company and discovered a large number of forged invoices issued by members of the Group and the controlling shareholder of the Company, Mr. Yang Kai (“**Mr. Yang**”), has misappropriated RMB3 billion of the Group to invest in the real estate market of Shenyang in the People’s Republic of China. The Company categorically denies having approved the issue of any forged invoices and does not believe there to be any misappropriation. Mr. Yang has categorically denied all of the above. In response to enquiries made by the Company of Bank of China, Bank of China has confirmed that it has not conducted any such audit of the Group which discovered any forged invoices or misappropriations of funds and that such statements in relation to it as stated in the media reports are untrue.

The media has also reported that the Company has lost contact with one of its executive directors, Ms Ge Kun. Ms. Ge Kun is principally responsible for the Group’s sales and branding, human resources and government affairs. Given that she has been part of Mr. Yang’s team since prior to the Company’s listing on the Stock Exchange in 2013, she also oversees and manages the Group’s treasury and cash operations (including expenses) and had and managed the relationships with the Group’s principal bankers. Following the Muddy Waters’ report in December 2016 (in respect of which the Company issued an announcement on 19 December 2016), her efforts in the above roles intensified. The Board

has been unable to contact Ms Ge Kun since last Tuesday 21 March 2017 when Mr. Yang had on that day received a letter from Ms. Ge indicating that the recent work stress had taken a toll on her health, that she would take leave of absence and does not want to be contacted at this time.

On Tuesday 21 March 2017, it had also come to Mr Yang's attention that the Company had been late in some bank payments. Given that a large number of the Group's bank loans are subject to annual roll over, Mr. Yang reached out to the Liaoning Provincial Government for their assistance as such matters must be stabilised immediately. With the support of the Liaoning Provincial Government, the Company did hold and can confirm that it held a meeting with 23 creditor banks on Thursday 23 March 2017 to discuss the Company's plans for this year and to also seek assurances from its creditor banks that their loans would be rolled over in the normal way. The Liaoning Provincial Government had proposed the Company to consider an action plan whereby any overdue interest payments would be remedied within two weeks and the Group's liquidity position improved within 4 weeks. As reported by some of the media reports and consistent with the Group's recollection, Bank of China (中國銀行), Jilin Jiutai Rural Commercial Bank (吉林九台農村商業銀行) and ZheShang Bank (浙商銀行) indicated in the meeting that they would continue to have confidence in the Group which has over 60 years of operating history. Given the significant decrease in share price of the Company and the recent media reports, there is no assurance that such banks' views would remain unchanged but the Group continues its outreach for the support of its banks in the increasingly challenging environment it faces.

There are also market rumours that the shares of the Company pledged by its controlling shareholder have been the subject of margin calls and sold. The Company noted an announcement by PingAn Bank Co., Ltd. ("**Ping An**") on 27 March 2017 that it had made a loan to Champ Harvest Limited ("**Champ Harvest**") which as at 24 March 2017 amounted to HK\$2.142 billion and in respect of which 3.434 billion shares in the Company had been pledged by Champ Harvest to Ping An. Champ Harvest is the entity through which Mr Yang owns the principal controlling stake in the Company. The amount of loan and number of shares pledged is consistent with the Company's announcement dated 27 December 2016. Mr. Yang is checking with his brokers to confirm the status of Champ Harvest's shareholdings and subject to verification, it does not appear to Mr Yang that Ping An was the source of the sell off in the shares of the Company. As at the date of this announcement and subject to verification of possible sell off referred to above, Champ Harvest holds 9,535,896,316 shares in the Company (approximately 70.76%). Other than the shares pledged to Ping An above, it has also pledged 1,941,848,000 shares (approximately 14.41%) to secure loans to Champ Harvest, pledged 750,275,856 shares (approximately 5.57%) to secure loans to other companies controlled by Mr. Yang and deposited 3,348,272,460 shares (approximately 24.85%) in brokerage accounts to secure margin financing obtained by Champ Harvest.

In respect of market rumour that the controlling shareholder of the Company sold shares to boost its financial resources, Champ Harvest sold 37,250,000 shares and 31,000,000 shares in the Company on 16 March 2017 and 17 March 2017 respectively. Mr. Yang confirmed to the Company that this was for the purpose of funding the proposed acquisition of Hong Kong Life by First Origin International Limited, in which Champ Harvest is a shareholder and the first deposit was due and paid on 17 March

2017. The press release of such transaction can be found at (http://www.hklife.com.hk/hklifeweb/web/about/about_script_detail.jsp?lang=eng&id=166). Mr Yang will be making enquiries of his other brokers as soon as practicable.

It also appears that the recent media reports do not distinguish between the financial affairs of the Group and Mr. Yang and the Company will be verifying some updated financial information in an announcement to be published in due course.

All members of the Board (other than Ms Ge Kun) held a telephone meeting this weekend and the Company's audit committee has initiated an internal review of the Group's financial position to ascertain its liquidity position.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been halted with effect from 1:00 p.m. on 24 March 2017. Until such time as the Board has been able to ascertain an updated position of the Company's financial position, the suspension will remain in place.

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

Shenyang, 28 March 2017

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