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Daqing Dairy Holdings Limited
大慶乳業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1007)

**(A) DISSOLUTION OF THE INDEPENDENT REVIEW COMMITTEE;
(B) RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS;
AND
(C) PROPOSED CANDIDATES AS
INDEPENDENT NON-EXECUTIVE DIRECTORS**

On 31 May 2012, the Company has received the Letter from the Investor. The Investor expressed its disagreement as to the manner the Board had handled the affairs of the Company after the resignation of Deloitte as well as measures taken by the Company to date towards the resumption of trading in the Shares. In particular, the Investor wanted the Company to reconstitute the IRC with its involvement.

In the course of the Company's discussion with the Investor, the INEDs, namely Ms Chan and Mr Cheung have decided to resign. Their resignation took effect from 14 June 2012 and 15 June 2012, respectively. On 19 June 2012, Optima has also tendered its resignation as the Company's financial adviser which will take effect on 22 June 2012.

In light of the resignation of Ms Chan and Mr Cheung, the IRC has to be reconstituted. The Company will advise the Shareholders once a new IRC has been formed.

The Board has identified two potential candidates for INEDs, namely Mr Zhao YY and Ms Wen. Subject to agreement with these candidates on their terms of service, the scope of their responsibilities and regulatory approvals, the Board intends to appoint them as INEDs. Further announcement(s) will be made if these candidates are appointed.

Reference is made to the announcements of the Company dated 22 March 2012, 29 March 2012, 13 April 2012 and 7 May 2012.

(A) Dissolution of the Independent Review Committee

Following the resignation of the Company's previous auditors (Deloitte) on 21 March 2012, the Company announced that it has constituted an IRC to review the allegations made by Deloitte and to advise the Board. The Company also announced that Optima has been appointed as the Company's financial adviser and BDO has been appointed as independent professional adviser to assist the IRC.

The Board would like to advise the Shareholders that, subsequently, on 31 May 2012, the Company has received a complaint letter (the Letter) from the Investor. Based on the Investor's filing under Part XV of the SFO, the Investor holds over 5% of the Company's issued Share capital.

Pursuant to the Letter, the Investor expressed its disagreement as to the manner the Board had handled the affairs of the Company after the resignation of Deloitte as well as measures taken by the Company to date towards the resumption of trading in the Shares. In particular, the Investor wanted the Company to reconstitute the IRC with its involvement.

In the course of the Company's discussion with the Investor, the INEDs, namely Ms Chan and Mr Cheung have decided to resign (see below).

In light of the resignation of Ms Chan and Mr Cheung, the IRC has to be reconstituted. On 19 June 2012, Optima has also tendered its resignation as the Company's financial adviser which will take effect on 22 June 2012. Optima has confirmed that it has no disagreement with the Board and there is no other matter relating to its resignation that needs to be brought to the attention of the Shareholders.

The Company will advise the Shareholders once a new IRC has been formed.

(B) Resignation of Independent Non-executive Directors

The Board announces that it has accepted the resignation of Ms Chan and Mr Cheung as INEDs, the chairman and/or a member of each of the audit committee, remuneration committee, nomination committee and the IRC (where relevant) of the Company with effect from 14 June 2012 and 15 June 2012, respectively.

According to the reasons given by Ms Chan and Mr Cheung for their respective resignations, following the resignation of Deloitte, they had to devote substantially more time to the management of the affairs of the Company including actively participating in the IRC, assist in the ongoing investigation and dealing with compliance issues of the Company. Due to their respective other business engagements which also required their attention and dedication, they believed that they would be unable to devote the necessary additional time and attention to the affairs of the Company and that, in the circumstances, it would be in the interest of the Company and themselves to resign as INEDs.

For the purposes of accepting the resignation of Ms Chan and Mr Cheung, the Company entered into an Appointment Letters Termination Agreement with each of them to terminate their respective Appointment Letters with effect from 14 June 2012 and 15 June 2012, respectively. Pursuant to the Appointment Letters Termination Agreements, each of Ms Chan and Mr Cheung had confirmed that:

- (a) save and except for (i) a continuation of their rights to indemnification under Article 164 of the Company's articles of association which the parties to the relevant Appointment Letters Termination Agreement have agreed to apply to matters relating to the period during which they were directors of the Company; and (ii) in relation to Ms Chan, any agreed residual amount in legal fees which she has incurred in connection with advice she has sought relating to her directorship in the Company up till 14 June 2012, each of them has no claims whatsoever against the Company, whether under their respective Appointment Letters or howsoever arising;
- (b) each of them is not aware of any breach of their respective Appointment Letters by the Company;
- (c) in relation to Ms Chan, save and except for the agreed residual legal fees referred to in paragraph (a)(ii) above, the Company has no outstanding amount whatsoever due to her under the relevant Appointment Letters or howsoever arising;
- (d) in relation to Mr Cheung, the Company has no outstanding amount whatsoever due to him under the relevant Appointment Letters or howsoever arising;
- (e) the terms of the Appointment Letters Termination Agreements are without any admission by the Company of liability and in full and final settlement of all claims (if any), whether contractual, statutory or otherwise and whether contemplated or not, which each of them has or may have against the Company and its associates arising out of or in connection with their respective Appointment Letters or their termination, including (without limitation) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), all of which claims (if any) are, subject to paragraph (a) above, absolutely and irrevocably released; and
- (f) each of them has no disagreement with the Board and there is no other matter relating to his or her resignation that needs to be brought to the attention of the Shareholders.

In addition, pursuant to their respective Appointment Letters Termination Agreement, Mr Zhao Chuan Wen agreed to personally indemnify and hold harmless each of them on demand from and against any and all losses, claims, damages, liabilities and expenses arising from the proper performance of their respective duties in connection with their respective Appointment Letters, so far as permitted by law, except in any case where the matter in respect of which indemnity is sought was caused by fraud or dishonesty by Ms Chan or by legal proceedings which are personal to Mr Cheung.

The Board would like to express its sincere appreciation and thanks to Ms Chan and Mr Cheung for their invaluable contributions to the Company during their respective tenure of office.

Following the resignation of Mr Zhang with effect from 15 May 2012, the resignation of Ms Chan with effect from 14 June 2012 and the resignation of Mr Cheung with effect from 15 June 2012, the Company will not be able to comply with Rule 3.10(1), Rule 3.21 and Rule 3.25 of the Listing Rules. The Company will seek suitable candidates to fill the vacancies and expects replacements will be appointed within three months from 15 May 2012 pursuant to Rule 3.11, Rule 3.23 and Rule 3.27 of the Listing Rules. The Company will make further announcement(s) as and when appropriate.

(C) Proposed Candidates as Independent Non-executive Directors

The Board has identified two potential candidates for INEDs, namely Mr Zhao YY and Ms Wen. Subject to agreement with these candidates on their terms of service, the scope of their responsibilities and regulatory approvals, the Board intends to appoint them as INEDs. Further announcement(s) will be made if these candidates are appointed.

Biographical details of Mr Zhao YY and Ms Wen are as follows:

Mr Zhao Yun Yong, aged 35, is a qualified lawyer in the PRC and has been practicing in the PRC since 2004. He worked for Heilongjiang Zhongsheng Law Office*(黑龍江中勝律師事務所) from 2004 to 2011 and Heilongjiang Gengchen Law Office*(黑龍江庚辰律師事務所) from 2011 to present. Mr Zhao YY specialises in contentious and non-contentious corporate matters.

Mr Zhao YY obtained his degree in journalism from Southwest University of Political Science and Law* (西南政法大學) in July 2000. In addition, Mr Zhao YY became a member of Daqing Bar Association in March 2004.

Save as disclosed above, Mr Zhao YY does not hold any other position in the Company or other members of the Group and has not held any directorships in any listed public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Mr Zhao YY does not have any relationships with any directors, senior management or substantial or controlling Shareholders of the Company. As at the date of this announcement, Mr Zhao YY does not have any interest in shares, underlying shares and debentures of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other matters relating to the proposed appointment of Mr Zhao YY that need to be brought to the attention of the Shareholders and any other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Ms Wen Shu Ling, aged 39, is an auditor and a member of the Chinese Institute of Certified Public Accountants. She is currently a senior auditing manager of Shenzhen Pengcheng Certified Public Accountants* (深圳鵬程會計師事務所) since 2011. From 2007 to 2011, she was employed by Tianzhi International Accounting Firm Limited Company, Shenyang Branch* (天職國際會計師有限公司瀋陽分所) as auditing manager. Prior to working in accounting firms, she served as finance manager in Shenyang BrightviewSiltex Co., Ltd.* (瀋陽佳景絲紡有限公司) from 2004 to 2007 and chief financial officer in Beijing Topsec Network Security Technology Co., Ltd., Shenyang Branch* (北京天融信網路安全技術有限公司瀋陽分公司) from 2000 to 2003, and was responsible for financial and accounting matters in both positions.

Ms Wen obtained a college diploma in Accounting (Foreign Accounting) from Shenyang University (瀋陽大學) in July 1996.

Save as disclosed above, Ms Wen does not hold any other position in the Company or other members of the Group and has not held any directorships in any listed public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Ms Wen does not have any relationships with any directors, senior management or substantial or controlling Shareholders of the Company. As at the date of this announcement, Ms Wen does not have any interest in shares, underlying shares and debentures of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other matters relating to the proposed appointment of Ms Wen that need to be brought to the attention of the Shareholders and any other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Suspension of Trading

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 22 March 2012 and will remain suspended until further notice.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Appointment Letters”	Ms Chan’s and Mr Cheung’s respective letters of appointment as INED dated 10 October 2010 and as member of the IRC dated 13 April 2012
“Appointment Letters Termination Agreement(s)”	the termination agreement entered into between the Company, Mr Zhao Chuan Wen and each of Ms Chan and Mr Cheung to terminate their respective Appointment Letters
“BDO”	BDO Financial Services Limited
“Board”	the board of Directors
“Company”	Daqing Dairy Holdings Limited 大慶乳業控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Deloitte”	Deloitte Touche Tohmatsu, the Company’s previous auditors
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“INED(s)”	the independent director(s) of the Company
“Investor”	Ever Union Capital Limited
“IRC”	the independent review committee of the Company
“Letter”	the letter issued by the Investor and received by the Company on 31 May 2012
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Cheung”	Mr Cheung Hok Fung Alexander (張學鋒)
“Mr Zhang”	Mr Zhang Zhou (張舟)

“Mr Zhao YY”	Mr Zhao Yun Yong (趙雲勇)
“Ms Chan”	Ms Chan Wah Man Carman (陳華敏)
“Ms Wen”	Ms Wen Shu Ling (溫書玲)
“Optima”	Optima Capital Limited
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.00001 each in the Share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Daqing Dairy Holdings Limited
Zhao Yu
Chairman

Hong Kong, 20 June 2012

As at the date of this announcement, the executive directors of the Company are Mr Zhao Chuan Wen, Mr Zhao Yu, Mr Xia Yuan Jun, Mr Fu Chong, Mr Fong Pin Jan and Mr Wang De Lin.

**For identification purposes only*