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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)

**UPDATES ON RECENT DEVELOPMENT OF SUSPENSION
AND
THE BUSINESS OF THE GROUP**

Update on suspension

Reference is made to the announcement of Daqing Dairy Holdings Limited (the “**Company**”) dated 22 March 2012 regarding the suspension (the “**Suspension**”) of the Company and the announcements of the Company dated 20 June 2012, 20 July 2012 and 28 September 2012 (the “**Announcements**”) in relation to, inter alia, the appointments of independent non-executive directors (“**INEDs**”), auditors and financial adviser of the Company.

The board of directors of the Company (the “**Board**”) wishes to update the shareholders of the Company that work to appoint INEDs and re-constitute the audit committee is still continuing. The Board has reached preliminary understanding with certain potential candidates and will proceed to appoint the INEDs once the terms of appointment have been agreed on. The appointment of auditors and financial adviser of the Company will be made as soon as reasonably practicable with the concurrence of the audit committee once it is constituted.

Update of the business of the Group

Due to the low level of consumer confidence in domestic dairy products, the unfavorable overall market conditions as a result of more food safety incidents in the PRC, the Suspension arising from the resignation of the auditors of the Company, and the departure of the Chief Operating Officer of the Company who oversees the distribution network together with numerous sales personnel, the confidence of our distributors in operating our products has been negatively affected. Although the management of the Company has been devoted to maintain the sales channels, since the Suspension and up to the date of this announcement, the Company has lost a total of 89 distributors, representing approximately 44% of the total number of distributors of the Company. In order to facilitate an orderly exit of these distributors and to pacify remaining distributors of the Company, the management of the subsidiary of the Company decided to accept sales returns from exiting distributors and the exchange of unsold inventories (sold in year 2011) for new stocks for the remaining distributors of the Company.

The management of the Company is currently focused on stabilizing the Company's sales network via the replacement of lost distributors and sales personnel, extending direct support to the Company's distributors in terms of advertising and promotional expenses and deploying various marketing strategies, including but not limited to, carrying out promotional events and advertising on television, in order to regain consumer's confidence in the Company's products.

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

Hong Kong, 30 October 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 Fong Pin Jan and Mr Wang De Lin.