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DAQING DAIRY HOLDINGS LIMITED
大慶乳業控股有限公司

(Proposed name change to Longhui International Holdings Limited 龍輝國際控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT

(I) FULFILLMENT OF ALL RESUMPTION CONDITIONS

AND

(II) RESUMPTION OF TRADING

Financial adviser to the Company

VEDA | CAPITAL
智略資本

References are made to (i) the announcements of Daqing Dairy Holdings Limited (the “**Company**”) dated 9 November 2012 and 19 May 2015 in relation to, among other things, the resumption conditions of the Company (the “**Announcements**”); (ii) the circular of the Company dated 9 May 2018 (the “**Circular**”); (iii) the announcement of the Company dated 28 May 2018 in relation to, among other things, the poll results of EGM; (iv) the announcement of the Company dated 30 May 2018 in relation to the implementation of the Share Consolidation and the change in board lot size; (v) the announcement of the Company dated 3 July 2018 in relation to the results of the Open Offer; and (vi) the announcement of the Company dated 4 July 2018 in relation to the completion of the transactions contemplated under the Resumption Proposal, change of directors, composition of the Board committees and authorised representative, and arrangement for odd lot trading. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

FULFILLMENT OF ALL RESUMPTION CONDITIONS

As stated in the Announcements, the Stock Exchange imposed six resumption conditions on the Company (the “**Resumption Conditions**”). The Board is pleased to announce that all the Resumption Conditions have been fulfilled as at 4 July 2018 and the details of which are stated as follows:

1. The Company shall demonstrate its compliance with rule 13.24 of the Listing Rules

As all the conditions precedent to the Acquisition, the Disposal, the Share Placing, the Open Offer and all the transactions contemplated under the Resumption Proposal have been fulfilled and completed, the Company has complied with rule 13.24 of the Listing Rules in relation to the sufficient operations or assets of the Enlarged Group.

A total of 3,789,375,000 Consideration Shares were allotted and issued and the Consideration CBs in the aggregate principal amount of HK\$129,470,312.50 were issued to the Vendors on 4 July 2018 in accordance with the terms and conditions of the Acquisition Agreement. An aggregate of 757,875,000 Placing Shares have also been successfully placed by the Placing Agent to not less than six independent Places at the Placing Price of HK\$0.1025 per Placing Share pursuant to the terms and conditions of the Placing Agreement.

Share certificates for the Offer Shares to those Qualifying Shareholders who have accepted and paid for their Offer Shares have been despatched by ordinary post on 4 July 2018 at their own risk.

Upon Completion, the Enlarged Group will primarily focus on the operation of hotpot restaurants in the PRC under the brands of Faigo (“輝哥”), Xiao Faigo Hotpot (“小輝哥火鍋”) and Hong Yuanwai (“洪員外”). Other than the introduction of the business of the Target Group and the Acquisition, the Vendors do not intend to introduce any major change to the Enlarged Group’s business (including any re-deployment of the Enlarged Group’s fixed assets) after Resumption.

Upon completion of the Acquisition, the Disposal, the Share Placing, the Open Offer and all the transactions contemplated under the Resumption Proposal, as at the date of this announcement, the Concert Group, in aggregate, holds approximately 73.53% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, the Placing Shares and the Offer Shares, but before the allotment and issue of any of the Conversion Shares.

2. The Company shall engage an independent forensic specialist acceptable to the Stock Exchange to conduct forensic investigation on the concerns raised by Deloitte Touche Tohmatsu, the former auditors of the Company, including certain potentially fraudulent transactions of the Company (the “Matters”) as disclosed in the announcement of the Company dated 29 March 2012

As disclosed in the announcement of the Company dated 29 March 2012, during the audit process in respect of the financial year ended 31 December 2011, irregularities were identified by the Predecessor Auditors that (i) certain milk procurement transactions brought to the attention of management of the Company at the material time and were acknowledged by them to be fraudulent; (ii) ostensible differences between sales receipt notes sighted during the Predecessor Auditors’ works in February 2012 and documents purporting to be the same sales receipt notes returned to the Company in March 2012 following a Tax Bureau investigation; (iii) the explanation for removing accounting records was not available to the Predecessor Auditors during the audit; (iv) the validity and commercial substance of acquisitions of milk stations, farm houses and Holstein cattle; and (v) the difficulties which the Predecessor Auditors encountered during their visits to the local branch of one of the Group’s designated banks (collectively referred to as the “Irregularities”).

As stated in the letter from the Board of the Circular, on 6 November 2013, the Company had retained RSM as the forensic accountant to provide independent forensic accounting services to the Company. RSM investigated and evaluated certain potentially fraudulent transactions of the Company raised by the Predecessor Auditors and to identify the individuals who could be responsible for the potentially fraudulent transactions of the Company.

As updated in the announcement of the Company dated 29 January 2014, RSM had commenced its work including but not limited to making inquiries and performing preliminary investigation on the Irregularities. However, given that (i) most of the financial documents and records were said to be damaged and irretrievable due to the accident occurred in early January 2013; (ii) the limited knowledge of the current management to the Irregularities; and (iii) the limited resources of the Company, as such there was a difficulty for the Company to reconstruct or locate such records.

On 4 April 2014, the Company updated the forensic investigation progress that the field work of RSM did not commence as the Company encountered difficulties in procuring the relevant parties including the previous management to cooperate which would allow RSM to commence their field work.

On 13 June 2014, the Company engaged two PRC law firms with the objectives to: (i) effect the changes of the legal representatives and board of directors of the PRC Subsidiaries through legal means; and (ii) obtain the information requested by RSM. RSM had also adjusted the direction of its work plan to place more reliance on the information to be obtained from the third parties sources.

Nevertheless, as further disclosed in the announcement of the Company dated 5 September 2014, (i) the Company was in the process of changing the legal representatives of the PRC Subsidiaries; (ii) the field-work of RSM had not commenced; and (iii) the management of the PRC Subsidiaries at the material time was unwilling to assist the field-work of the forensic investigation of RSM. RSM had revised its work plan to focus on the analysis of information that might be obtained from external sources including the Predecessor Auditors, the PRC lawyers and other parties accordingly.

According to the announcement of the Company dated 28 November 2014, in view of the uncooperative approach of the management of the PRC Subsidiaries at the material time, RSM and the Company experienced considerable difficulties in obtaining the necessary information for the purpose of the forensic review. The forensic investigation of the Company was ongoing though at a slow pace in view of the difficulties involved. The Company would devote its highest effort to provide RSM with the necessary information.

Based on the latest information available to the Board at that time, the then Board had reasonable belief that the PRC Subsidiaries were still operating their ordinary business while Changqing Dairy was suspected to have suspended its production. Furthermore, the Company, as the shareholder of its PRC Subsidiaries, had served notice to require the board of directors of the PRC Subsidiaries to effect the change of their respective legal representatives to the person nominated by the Board.

On 30 April 2015, due to insufficient financial resources of the Company, the independent forensic accounting review by RSM had been temporarily halted until the existing Board is formed. The independent forensic accounting review has subsequently resumed after the existing Board was formed. According to the forensic memorandum issued by RSM, RSM was unable to proceed any further in the independent forensic accounting review until the Company regains the control of the relevant subsidiaries and/or the Company is in the position to compel the relevant entities and individuals to provide the relevant information and documents for the independent forensic accounting review.

Having considered (i) both of RSM and the Directors have been unable to get access to the books and records of the PRC Subsidiaries; (ii) the Directors have been unable to locate the complete books and records of the Company and Global Milk Singapore; (iii) the previous management of the Group did not respond to the request for any information of the Disposal Group; (iv) the forensic investigation is unable to be further proceeded based on the circumstances as mentioned above; (v) the Disposal Group was deconsolidated from the Group's financial statements since 1 January 2011 due to loss of control by the Company over the Disposal Group; and (vi) the Group has ceased to have any beneficial interest in any company in the Disposal Group, and all the companies in the Disposal Group have ceased to be subsidiaries of the Company upon Disposal Completion which shall be an effective

measure to avoid any unwanted dispute and liabilities which might have generated under the uncontrolled operation of the Disposal Group to affect the interest of the Company, the Board is of the view that the concerns, including the Matters, raised by the Predecessor Auditors will be addressed through the Disposal.

3. The Company shall inform the market of all information in relation to the Matters that is necessary for the Shareholders and the public to appraise the position of the Group, including their implications to the Group's assets, financial and operational positions

Based on the Appendix III "Unaudited pro forma financial information of the Enlarged Group" to the Circular, as if the transactions contemplated under the Resumption Proposal had been completed on 31 December 2017, the Enlarged Group will have total assets of approximately HK\$543.0 million, total liabilities of approximately HK\$491.1 million and net assets value of approximately HK\$52.0 million as disclosed in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2017 under Appendix III to the Circular. If the transactions contemplated under the Resumption Proposal had been completed on 1 January 2017, the Enlarged Group will record a loss attributable to owners of the Company of approximately HK\$89.2 million for the year ended 31 December 2017. The loss is mainly due to the transaction costs and the deemed listing expenses of approximately HK\$11.5 million and HK\$90.0 million respectively.

Details of which were set out in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2017 of Appendix III to the Circular.

The Board confirms that the Company has already informed the market of all material information available that is necessary for the Shareholders and the public to appraise the position of the Group.

For further information in relation to the Matters, if any, the Company shall inform the Shareholders and the public to appraise the position of the Group, including their implications to the Group's assets, financial and operational positions.

4. The Company shall demonstrate that there is no reasonable regulatory concern about management integrity which will pose a risk to investors and damage market confidence

All the then directors of the Company and persons associated with the Irregularities had resigned from the Group prior to the existing Directors joining the Company, and furthermore, they will not be acting in the Enlarged Group upon Resumption.

All the existing Board members are third parties independent of all the then directors of the Company when the Irregularities occurred and persons associated with the Irregularities.

As disclosed in the Circular, Dr. Choi and Mr. Choi Ka Wai will resign as executive Directors; and Mr. Szeto Tat Kwan and Mr. Fok Wai Ming Eddie will resign as independent non-executive Directors, all with effect upon Resumption. Mr. Ha Kee Choy Eugene will remain on the Board as an independent non-executive Director.

As the relevant ordinary resolutions regarding the appointment of Directors were duly passed by the Shareholders by way of poll on 28 May 2018, Mr. Hung Shui Chak, Mr. So Kam Chuen, Mr. Yuan Mingjie and Mr. Chen Jun have been appointed as executive Directors; and Mr. Chan Chun Yiu Thomas and Mr. Mai Guangfan have been appointed as independent non-executive Directors, all with effect from the Resumption Date which is expected to be on 6 July 2018.

Their respective biographical details were set out in the section headed “Directors and senior management of the Enlarged Group” in the Circular.

Therefore, the Board believes that there is no reasonable regulatory concern about management integrity which will pose a risk to investors and damage market confidence upon Resumption.

5. The Company shall publish all outstanding financial results and reports and address any concerns raised by the Company’s auditors in their report

As at the date of this announcement, the Company has no outstanding financial results and reports pursuant to the rule 13.46 to 13.49 of the Listing Rule.

A disclaimer of opinion, in relation to (i) opening balances and the comparative information; (ii) departure from International Financial Reporting Standard 10 “Consolidated Financial Statements”; (iii) amount due to a deconsolidated subsidiary; (iv) accrued expenses and other payables; (v) contingent liabilities and commitments; and (vi) going concern basis of accounting, was issued by HLB Hodgson Impey Cheng Limited (the “Auditors”), the auditors of the Company, on the last published audited financial statements of the Company for the year ended 31 December 2017. Details of the disclaimer of opinion were set out in the Company’s annual report for the year ended 31 December 2017.

The Board is of the view that, other than the audit qualification in relation to the opening balances and the comparative information, most of the audit qualifications of the Company shall be removed upon Resumption. The audit qualification in relation to the opening balances and the comparative information shall be removed in the next full financial year after Resumption. The Auditors concurred with the expected timing of removal of audit qualifications subject to the fulfillment of conditions set out below:

a) Opening balances and the comparative information

The auditors' reports of the Company's financial statements for the years ended 31 December 2011, 2012, 2013, 2014, 2015, 2016 and 2017 were disclaimed in view, as a result, the opening balances and comparative information included in the Company's financial statements was also qualified. Subject to removal of all other audit qualifications on the Company's financial statements during the year ending 31 December 2018, the Company expects that this audit qualification will be removed during the year ending 31 December 2019.

b) Departure from International Financial Reporting Standard 10 "Consolidated Financial Statements"

The Directors have been unable to get access to the books and records of the subsidiaries incorporated in the PRC (the "**PRC Subsidiaries**"). The Directors have also been unable to locate the complete books and records of the Company and the Company's direct wholly-owned subsidiary incorporated in the Republic of Singapore (the "**Singapore Subsidiary**"). The Directors have further confirmed to the auditors that the previous management of the Company and its subsidiaries did not respond to their request for any information of the Group. Given these circumstances, the directors of the Company have not consolidated the financial statements of the Singapore Subsidiary and the PRC Subsidiaries (collectively referred to as the "**Deconsolidated Subsidiaries**") and no consolidated financial statements of the Company were prepared since the year ended 31 December 2011.

Upon Disposal Completion, the Company had disposed the entire equity interests in the Singapore Subsidiary and its subsidiaries, this audit qualification will be removed during the year ending 31 December 2019.

c) Amount due to a deconsolidated subsidiary

As mentioned above, certain books and records of the Company and the Deconsolidated Subsidiaries in previous years were unable to be located and get accessed and therefore the Company is unable to provide sufficient appropriate evidence to the Auditors regarding the amounts due to a deconsolidated subsidiary.

The Company has entered into of a debt assignment agreement with Global Courage, pursuant to which Global Courage agrees to undertake all outstanding amount due to a deconsolidated subsidiary. Subject to the Resumption becomes effective in 2018, this audit qualification shall be removed during the year ending 31 December 2018.

d) Accrued expenses and other payables

As mentioned above, certain books and records of the Company in previous years were unable to be located and get accessed and therefore the Company is unable to provide sufficient appropriate evidence to the Auditors regarding the accrued expenses and other payables.

The Company has entered into a debt assignment undertaking with Global Courage, pursuant to which Global Courage agrees to undertake the outstanding unknown amount under the accrued expenses and other payables. Subject to the Resumption becomes effective in 2018, this audit qualification will be removed during the year ending 31 December 2018.

e) Contingent liabilities and commitments

As mentioned above, certain books and records of the Company and the Deconsolidated Subsidiaries in previous years were unable to be located and get accessed and therefore the Company is unable to provide sufficient appropriate evidence to the Auditors regarding the contingent liabilities and commitments.

The Company has entered into of a debt assignment agreement between Global Courage and the Company, pursuant to which Global Courage agrees to undertake all contingent liabilities and commitments. Subject to the Resumption becomes effective in 2018, this audit qualification will be removed during the year ending 31 December 2018.

f) Going concern basis of accounting

The Company (i) incurred loss of approximately HK\$5,099,000 for the year ended 31 December 2017 and net liabilities position of approximately HK\$43,307,000 as at 31 December 2017; (ii) following de-consolidation of the Deconsolidated Subsidiaries, the Company becomes an investment holding company without conducting other business; and (iii) the Company has been placed in the third delisting stage as of the date of approval of the financial statements of the Company for the year ended 31 December 2017. These conditions indicate a material uncertainty on the Company's ability to continue as a going concern.

As the Company has successfully implemented the Resumption Proposal, the Directors expects that the newly acquired hot pot business will generate and contribute sufficient working capital for the Company's future operation. Therefore, this audit qualification will be removed during the year ending 31 December 2018.

6. The Company shall demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules

As disclosed in the Circular, in order to continuously improve the Target Group's corporate governance and to prevent future non-compliance, the Target Group intends to adopt or have adopted the following measures:

1. The Enlarged Group will establish a compliance committee (the "**Compliance Committee**") comprising of one proposed independent non-executive Directors, one existing Independent non-executive Director and one proposed executive Director, namely, Mr. Hung, Mr. Ha Kee Choy Eugene, and Mr. Chan Chun Yiu Thomas, and chaired by Mr. Hung, to oversee all regulatory and accounts-related compliance matters and corporate governance requirements. The primary functions of the Compliance Committee include, among others, reviewing and making recommendations to the Board in respect of policies and practices on compliance with any requirement, direction or regulation that may be prescribed by the Board, contained in any of the constitutional documents, or imposed by the Listing Rules or other applicable laws, regulations, rules or codes; and ensuring that appropriate monitoring systems are in place to ensure compliance with the relevant internal control systems, processes and policies; and monitoring the implementation of the Enlarged Group's plan to maintain high standards of compliance with its own risk management standards.
2. In order to further ensure compliance with relevant statutory requirements, the Enlarged Group will engage external professional advisers, such as authorised persons, company secretary companies, consultancy firms, auditors and external legal advisers to render professional advice so as to comply with statutory requirements (including PRC rules and regulations and the Listing Rules) as applicable to the Enlarged Group from time to time.
3. The Company has appointed HeungKong Capital Limited as its compliance adviser upon the Resumption to advise the Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules.
4. The proposed Directors have on 6 and 22 February 2017 attended training sessions conducted by Hong Kong legal advisers of the Company on, among other things, ongoing obligations, general corporate governance requirements, the duties and responsibilities of directors of a company whose shares are listed

on the Stock Exchange under applicable laws, rules and regulations, including but not limited to the Listing Rules and Hong Kong Companies Ordinance. The proposed Directors have provided confirmation in writing in relation to their understanding of their duties under the Listing Rules and other applicable laws and regulations.

5. The Enlarged Group will provide the proposed Directors, senior management and employees involved with training, development programs and/or updates regarding the legal and regulatory requirements applicable to the business operations of the Enlarged Group semi-annually.
6. The Enlarged Group will, from time to time, engage external legal advisers and seek legal advice on legal matters relating to the Enlarged Group to ensure the compliance of the Target Group's operation in the PRC. For example, on 11 November 2017, the proposed executive Directors and the senior management of the Target Group have attended a training session provided by the PRC Legal Advisers on legal requirements of the licensing requirements applicable to its restaurants operations.

In addition, for the business operation of the Target Group, the Target Group engaged an internal control consultant, Protiviti Shanghai Co., Ltd., to conduct a comprehensive review of the Target Group's internal control system, including, among other things, controls and procedures of the Target Group over entity level controls, revenue and receipt cycle, expenses and payment cycle, financial reporting and compliance management.

The Target Group has implemented the internal control enhancement measures recommended by the internal control consultant. In particular to the remediation of the non-compliance in relation to the license management, the Target Group adopted "Licenses and permits management policy" in June 2017 to govern the procedures of new restaurant opening, licenses maintenance and renewal, as well as existing restaurant closing, particularly in the areas of applying for the relevant licenses and permits with PRC regulatory authorities. Further, the commencement date of each new restaurant shall be approved by at least two proposed executive Directors and such approvals will be reviewed by the independent non-executive Directors on a monthly basis. The Target Group had also formulated the "Group Safety Management Policy" which includes daily guidelines and emergency plans for food safety, fire safety and environmental protection in relation to the deficiency and non-compliance in safety matters.

The internal control consultant completed a series of follow-up reviews in February 2017, May and June 2017 and March 2018 on the implementation of such enhancement measures. The internal control consultant also conducted a further follow-up review in March 2018 and concluded that (i) there was no material deficiencies noted relating to the adoption of "Licenses and permits management policy"; and (ii) following the establishment and adoption of the risk management

policy, previous deficiencies concerning on risk management have been remediated. The internal control consultant is of the view that the Target Group's enhanced internal control measures are adequate and effective. The proposed Directors confirm that they will procure the Enlarged Group to follow the adopted internal control policies and measures and to ensure that Enlarged Group will comply with the relevant laws and regulations going forward.

Further details of the internal control review of the Target Group's business by the internal control consultant were set out in the section headed "Business of the Target Group" of the Circular.

In the view of the above, the Company demonstrates that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended since 9:00 a.m. on 22 March 2012. As all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for resumption of trading in the Consolidated Shares, including, *inter alia*, the Consideration Shares, the Placing Shares and the Offer Shares with effect from 9:00 a.m. on 6 July 2018.

Save as disclosed in this announcement, there is no further insider information needs to be disclosed under Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

By order of the Board
Daqing Dairy Holdings Limited
Choi Chiu Fai Stanley
Chairman and executive Director

Hong Kong, 5 July 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Choi Chiu Fai Stanley and Mr. Choi Ka Wai; and three independent non-executive Directors, namely Mr. Ha Kee Choy Eugene, Mr. Szeto Tat Kwan Brandon and Mr. Fok Wai Ming Eddie.

The English text of this announcement shall prevail over its Chinese text.