



China Dairy Corporation: Progressively Evolves into the Whole Industry Chain Model and the New Type of Children’s Liquid Milk is Being Established.

The listing code of China Dairy Corporation (hereinafter referred to as “China Dairy Corporation” or “Company”) is CDC. With the advance of the Company’s strategy, supported by existing dairy farming base, China Dairy gradually expands its business to the upstream and downstream of the industry. The Company is pushing forward the focused on the R & D of Children’s milk and promotion of this new project.

I. Project Introduction

According to the Company’s development strategy, the Company officially launched its project in research, development and construction of the new type of children’s milk in March, 2016. The project is focused on the research and development of cow fodder, as well as a comparative study on fodder ratio. Through adding a variety of nutrients into the fodder and adjusting its nutritional composition based on scientific methods, the ingredients of organic nutrients and quality of the milk source are ensured from its very origin.

II. Project Progress

The project of the new type of children’s liquid milk includes two stages. The first stage is R & D and breeding experiments. The following stage is the large-scale breeding of cows and the manufacturing of the milk.



As of June, 2017, the project is under R & D and breeding experiments stage. At the end of April, 2016, the Company successfully obtained its first fodder formula. From May, 2016, the Company has been continuing to cooperate with universities and research institutions on R & D by conducting feeding tests to 500 adult cows in Yulong experimental base.

During the process, the Company conducted a comparative analysis of nutritional composition over samples of milk produced by cows fed with different formulas. Accordingly, fodder formula and nutrition proportion were adjusted and have been constantly improved to target the nutritional indicators for children.



As of June 30, 2017, the overall R&D cost of the Company's project has reached 1,176,300 US dollars, of which the cost of fodder R & D is 715,300 US dollars and the cost of R & D for children's liquid milk is 461,000 US dollars. It is expected that by June 30, 2018, the overall R&D cost of the Company project will reach 5,954,500 US dollars, of which the cost of fodder R & D will reach 551,800 US dollars and the cost of R & D for children's liquid milk will reach 5,402,700 US dollars.

In September 2017, the Company added 1000 cows, including 100 calves, 100 growing cows, 200 young cows and 600 adult cows of different periods to conduct further feeding tests. It is expected to achieve better test data and test results by expanding the scope and scale of feeding tests, which may further lay a solid foundation for the success of the program of new children's milk.



III. Project Impacts

- 1、 Meet the emerging demands for children's milk market;

With fully liberalized two-child policy in China, the demand for Chinese children's dairy products will be further increased. In order to meet the emerging demands for children's milk market, the Company considers the situation and initiated a new project for children's milk with the target to gradually expand the market share of children's milk and enhance the competitiveness of China Dairy Corporation.

- 2、 The model of whole industry chain is forming gradually;

With the development and promotion of new type children's milk, the Company is gradually forming the model of whole industry chain with cow breeding, deep processing of organic fertilizer, research and development of new type children's milk and the processing of dairy products.

- 3、 Improve the structure of the entire industry;

The new technology of children's milk can fundamentally change the existing China's dairy processing industry where technological process of producing dairy products relies on artificial nutrients added in the later stage of production, the new technology eliminates the uncertainty of the quality of dairy products due to the artificially added nutrients. The formation of such technology will be a technological revolution in the dairy industry and is expected to change the structure of dairy production in China and even in the world.

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