CHINA DAIRY CORPORATION LIMITED

2017 Annual Report

CHINA DAIRY CORPORATION LIMITED

ARBN **607 996 449**
Hong Kong Company Registration Number **2190508**

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ABOUT CHINA DAIRY CORPORATION LIMITED

China Dairy Corporation Limited, together with its subsidiaries (**"CDC"** or the **"Company"**), is primarily engaged in the production and wholesale of raw milk and the rearing, breeding and sale of dairy cows. The Company's operations are located in Heilongjiang, the second largest milk producing province in China which accounted for 0.85% of the country's raw milk output in 2016.

CDC generates its income through two primary business models; the sale of raw milk and milk sales commissions on milk sold from cows it sells to external farmers. The Company exclusively uses Holstein cows for its milk production. Holstein cows are popular in dairy farming due to their adaptability to a wide range of environment and their milk production.

The Company gained admission on the Australian Securities Exchange (**"ASX"**) in April 2016 and raised A$17.0 million as part of its Initial Public Offering (**"IPO"**).

Sale of raw milk

The majority of the Company's revenues come from the sale of raw milk from cows that it owns (**"company-owned cows"**). A large portion of the company-owned cows are entrusted to local farmers to assist in a more efficient means of raw milk production. These local farmers are responsible for raising, feeding and breeding the Company's cows on their own farmlands, while providing the milk produced back to CDC. All milk produced by the local farmers remains the property of the Company, as are any calves bred. As at 30 June 2017, CDC had just over 31,000 company-owned cows, of which approximately 24,000 were entrusted to 205 local farmers.

Milk sales commissions

CDC also engages in selling dairy cows to external farmers (**"sales commission cows"**) and generating an income on the milk produced from these cows through a right of 20%-30% of the milk sales revenue generated. This business model was introduced in 2011 and provides the Company with recurring revenues through the milk sales commissions with the added benefit of relatively low direct costs as the external farmers have assumed the cow rearing and milk production functions. As at 30 June 2017, the Company was earning a sales commission from just over 22,719 (14,000 in FY2016) sales commission cows across 88 external farmers.

Customers

CDC sells its milk to 5 dairy processors under agreements which set the price of milk over the duration of the contracts (typically 2 years). The fixed milk sale price allows the company to avoid the volatility of market milk prices.

Farmland

The Company's farmland is located in the Heilongjiang province which has a humid continental climate. This climate is ideal for the growth of grass, which in turn is essential for the grazing and feeding of the Company's cattle. Currently the Company has five tracts of land covering 17.9 million square meters.

CHAIRMAN'S LETTER

Dear fellow shareholders,

We are pleased to present the Company's first Annual Report for the year ended 30 June 2017. On behalf of the Board and Management of the Company, I am pleased to report that CDC has made some considerable progress over this year, including:

- improving the terms at which it sells milk through higher contracted fees with many of its customers; and
- decreasing the number of its total company-owned cows by 10.06% to 31,531 heads, which included an increase in its milkable company-owned cows by 5.1% to 21,156 heads.

The aforementioned items have enabled the Company to increase revenue by 18.5% over the year to US$119.8 million (US$101.1 million in FY2016).

In addition to increasing revenue, the Company has invested heavily into its business during FY2017. To optimise the company's dairy structure and enhance the productivity, the Company has purchased the adult milkable cows and reduce the calves and young cattle.

The Company has however faced some difficulties over the year as well. Feed costs in China increased over the year and so did the Company's direct costs. This, together with the depreciation on its increased capital investments, placed pressure on margins with gross profit declining by 5% to US$45.6 million (US$43.5 million in FY2016).

Net income attributable to common shareholders (NPAT) increased by 19.2% to US$42.1 million (US$ 35.3 million in FY2016), representing a healthy NPAT margin of 35.1%.

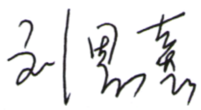
Going forward, the Company will be focusing on a number of key initiatives to further optimise the business, increase profitability and maintain its competitiveness. Key among these will be optimising the age structure of its herd and farming structure to ensure a higher proportion of milkable cows and a reduction in older cows which do not provide the quality or yields of younger cows. The Company has made some progress on this front over the year by increasing the proportion of milkable cows by 16.9% to 67.10% (57.42% in FY2016).

CDC is also making progress on establishing its new business stream of producing processed liquid milk products for children. We believe this market segment provides strong growth opportunities, especially with demand expected to increase after the PRC government's removal of the one child policy. The Company foreseen the strong demand in the children's dairy product market. It's under development phase of the project to find a feed composition that will enable its cows to produce milk with all the nutritional requirements for children – without the need for additives during the processing stage.

We are also actively exploring Mongolia as a second base for our processed liquid milk business as it offers a number of strong benefits including low labour and land costs. The Company has inspected various sites with the aim of establishing a mid-sized dairy farm with 800 to 1,200 cows to conduct breeding experiments in 2017.

On the Australian front, the Company continues to seek viable investment and/or acquisition opportunities for downstream dairy products manufacturers whose products could be sold into the Chinese market.

Yours faithfully,



Mr. Enjia Liu
Executive Chairman

FINANCIAL AND OPERATIONAL REVIEW

Financial summary

The table below presents key financial data for the 2017 financial year (**"FY2017"**) and the 2016 financial year (**"FY2016"**).

As at 30 June 2017	FY2017 (in $US)	FY2016 (in US$)	% Change
Total Revenue	119,815,035	101,091,303	*18.52%*
Gross Profit	45,552,260	43,465,080	*4.8%*
Gross Profit Margin	*38.0%*	*43.0%*	*5%*
Net income attributable to common shareholders (NPAT)	42,073,826	35,302,491	*19.18%*
NPAT Margin	*35.1%*	*34.9%*	*0.2%*

Milk sales

Milk sales revenue is generated from the sale of milk from CDC's company-owned cows. Over FY2017, milks sales revenue increased by US$20.1 million (24.8%) to US$101.8 million. This large increase was due to a number of key developments as outlined below:

+ Increase in contracted milk prices

The Company's raw milk is sold to 4 customers (previously 4 as at 30 June 2016 and 5 as at 30 June 2015) under contracts which set the price of milk over the term of the contract, enabling CDC to avoid the volatility of market milk prices. In November 2015, the Company replaced 4 of its old customers with 3 new customers that entered into 2-year agreements to purchase raw milk from CDC at RMB 3.80 per kilogram. This was higher than the 4 outgoing customers who purchased raw milk from the Company at RMB 3.50 per kilogram.

+ Increase in number of company-owned cows

The number of company-owned cows has a bit decrease over the 2017 financial year. As presented in the tables below, the total number of company-owned cows increased from 35,058 heads as at 30 June 2016 to 31,531 heads as at 30 June 2017, a decrease of 10.06%. Of these, the number of milkable cows increased from 20,130 heads as at 30 June 2016, to 21,156 heads as at 30 June 2017, an increase of 5.09%.

As at 30 June 2017	Non-Milkable	Milkable	Total
Raised by company	1,131	6,273	7,404
Entrusted to local farmers	9,244	14,883	24,127
Total	**10,375**	**21,156**	**31,531**

As at 30 June 2016	Non-Milkable	Milkable	Total
Raised by company	1,748	7,489	9,237
Entrusted to local farmers	13,180	12,641	25,821
Total	**14,928**	**20,130**	**35,058**

Milk sales commissions

Milk sales commission revenue is generated through the sale of milk from cows the company has sold to external farmers. The farmers pay for the cows over a repayment period that is between 1 and 8 years. While the farmer is paying off their cow, CDC has a right to 20% - 30% of the milks sales revenue generated from these cows. This is provided by the farmers in exchange for the Company arranging the sale of milk from these cows to its customers. Revenue generated through milks sales commission from the company's sales commission cows decreased by US$1.49 million (-7.6%) over the year to US$18 million. This decrease was due to a number of reasons as outlined below:

+ decrease in commission rate from customer contracts

From 1 July 2016, CDC's intention to look at longer repayment periods of 6 to 8 years while adjusting the sales commission down from 30% to 20%. While this would yield a lower commission, it would provide the revenue stream per cow over a longer period while also gaining more interest from external farmers due to the decreased sales commission.

+ Increase in average number of sales commission cows

The number of sales commission cows increased from 14,034 heads as at 30 June 2016 to 22,719 heads as at 30 June 2017. The reason for this increase is due to the external farmers paying-off the principal of the cows and no longer needing to pay the Company a sales commission on the milk sold. The average number of sales commission cows increased by 2,450 heads (14.83%) to 18,967 heads over the 2017 financial year when compared to the previous financial year.

Sales commission cows	FY2017	FY2016	% Change
Cows at end of period (at 30 June)	22,719	14,034	61.88%
Number of external farmers (at 30 June)	88	62	41.93%
Average number of cows over period	18,967	16,517	14.83%

Gross profit

Gross profit increased by US$2.1million (4.8%) over the 2017 financial year to US$45.6 million. The increase in gross profit can be attributed to a number of cost factors that have changed for the company over the year. These include ongoing production costs as well as costs brought on due to investment in the Company's operations. The key items behind the increase in the cost of goods sold are described below.

+ Cow feed and entrusted farmer fees

CDC has strict requirements on feeding its cows. As a large part of its company-owned cows are entrusted to 205 local farmers to feed, milk and rear, the Company utilises a consistent feeding methodology to ensure that the milk produced from these cows is consistent in yield and quality across its entrusted local farmers.

This means that these farmers must feed the cows using a feed that has the composition as dictated by the Company. As CDC is responsible for providing the fees for the farmers to purchase the feed, the Company has incurred large cost increases due to many of the feed components increasing in price over the 2017 financial year. This includes the cost of grains, grass, corn stalk, hay and ensiling. The farmers are paid a fee to rear and feed the cows entrusted to them based on the age of the cow as presented in the table below

Entrusted farmer feeding and other fees	30 June 2017	30 June 2016	% Change
Calves (aged 6 months and under)	RMB550	RMB 550	-
Growing cows (aged between 7 and 18 months)	RMB620	RMB 620	-

Entrusted farmer feeding and other fees	30 June 2017	30 June 2016	% Change
Young cows (aged between 19 months and the age at which the cattle gives birth to its first calf)	RMB 750	RMB 750	-
Adult cows (after the cow has given birth to its first calf)	RMB1,700	RMB 1,700	-

Costs related to feeding the cows reared by the Company and its entrusted farmers accounted for 54.7% of cost of goods sold in FY2017 and 79.6% of cost of goods sold in FY2016.

+ Depreciation on increased capital investments

The Company incurred markedly increased depreciation costs in FY2017 due to a number of investments in the business as described below:

- Depreciation on improvements and additions made to its farms near the end of the 2015 financial year and over the 2016 financial year. The Company acquired the land use rights to two new farms (Xianfang farm and Schuangcheng farm) in May 2015. To prepare and equip these farmlands, a number of investments were made covering vehicles, farming equipment and machinery, farm infrastructure and buildings.
- In January 2016, the Company entered into an agreement with an external party to build a forage production plant on its Xinha grasslands, a piece of land the Company utilises to grow grass for use in feeding its cows. On June 22, 2017, the Company signed a disposal agreement with a forage production company to sell the CIP at $7,491,900 including VAT (RMB 51,000,000). The net book value of the CIP at the date of the disposal was $7,094,516. The total VAT and surcharges on the selling price was $399,568. There was a loss of $2,204 on the disposal. The Company fully received the sales consideration of $7,491,900 as of June 30, 2017.
- Depreciation on the increase in the company's biological assets coming from an increase in the herd size as well as the depreciation due to the increase in feeding costs.

Depreciation accounted for in cost of goods sold increased from US$4.6 million in FY2016 to US$6.45 million in FY2017.

+ Labour

The Company saw an effect in direct and outsourced labour costs related to the production and sale of milk due to the adjustment in the Company's herd size as well as the migration of the Company's dairy farming operations from the Qiqihaer and Shangzhi regions to the Xiangfang and Schuangcheng farms in Harbin, Heilongjiang. Direct and outsourced labour costs in cost of goods sold decreased from US$2.4 million in FY2016 to US$2.08 million in FY2017.

Operating expenses

Operating expenses decreased by US$0.64 million (10.95%) over the 2017 financial year. This was predominantly due to selling and marketing expenses and general and administrative expenses as explained below.

+ Selling and marketing

The decrease of sales and marketing expense is due primarily to the decrease in the selling taxes & VAT charges.

+ General and administrative

The decrease of general and administrative expenses is due to the one-off expenses related to the Company's IPO in 2016 financial year.

Production metrics

The Company's average milk yields per milkable cow remained relatively flat for its company-owned cows, increased by 300 kilograms per cow to 8.9 tonnes.

Average milk yields per sales commission cow increased by 400 kilograms to 8.5 tonnes in FY2017.

Average milk yield per milkable cow	FY2017	FY2016
Milkable company-owned cows	8.9 tonnes	8.6 tonnes
Sales commission cows	8.5 tonnes	8.1 tonnes

Farmland and migration of cows

Land in China is owned either by the state or by collectives and cannot be sold to individuals or companies. In order to gain access to land, private entities must acquire a land use right (**"LUR"**) over the particular piece of land. These LURs function like long-term leases over the land, allowing the party to develop on the land based on its designated purpose. The Company has land use rights over a number of tracts of land as detailed below.

Farm Name	Location	Area of Land (m^2)	Expiration of LUR	Utilisation of farmland
Xinhua grasslands	Qiqihaer, Heilongjiang	16,666,750 m^2	Oct, 2021	Production of grass for the Company's cows
Yulong farm	Shangzhi, Heilongjiang	427,572 m^2	Feb, 2063	Dairy farming
Fularji farm	Qiqihaer, Heilongjiang	250,000 m^2	May, 2063	Production of grass for the Company's cows and future R&D site for the cultivation of fodder to be used in the Company's processed liquid milk business
Xiangfang farm	Harbin, Heilongjiang	238,000 m^2	May, 2045	Dairy farming
Schuangcheng farm	Harbin, Heilongjiang	283,333 m^2	May, 2045	Dairy farming

The Xinhua grasslands and Fularji farms are currently used to grow grass for use in the Company's feed requirements. The Fuljari farm will later also be used as an R&D site for producing specialised fodder to be used in the feed of cows producing milk for the Company's liquid milk business when it reaches an appropriate stage.

The other farmlands are used for CDC's dairy farming operations. The Xiangfang and Schuangcheng farms are the two new tracts of land acquired by the Company in May 2015 into which CDC has heavily invested over the 2016 financial year to prepare and equip for its dairy farming operations. In November 2015, the Company moved the majority of its cows from the Qiqihaer and Shangzhi regions to Harbin in Heilongjiang. In the process, to reduce transportation costs, it also changed a number of its customers to those closer to Harbin at more favourable terms and replaced its older entrusted farmers with new ones in the Harbin region.

Dividends

The Company was pleased to declare an unfranked interim dividend on 6 March 2017 of A$0.0064 per CDI for the profits it generated over the 2017 financial year to 31 December 2016 (6 months).

Outlook

Moving forward, the Company intends to focus on a number of initiatives as outlined below:

+ Optimisation of the herd

Over the 2016 financial year, the Company has begun to optimise the age structure of its company-owned cows to:

- Reduce the proportion of older milkable cows, meaning the cows which have been producing milk for over 5 years, as this will help to further increase milk production and quality; and
- increase the proportion of milkable cows to increase the level of production.

As presented in the table below, this is evidenced by the increase in the proportion of milkable cows which increased from 57.4% in FY2016 to 67.09% in FY2017.

As at 30 June 2016	30 June 2017	30 June 2016	% Change
Milkable	21,156	20,130	*5.09%*
Non-Milkable	10,375	14,928	*-30.49%*
Total	**31,531**	**35,058**	***-10.06%***
Proportion of Milkable Cows	*67.09%*	*57.4%*	*9.69%*

CDC anticipates to grow and optimise its herd through acquisitions of new cows to help increase long-term performance and maintain the Company's competitiveness. Over the 2016 financial year, the Company acquired 8,300 cows while selling 2,282 cows to external parties in line with its strategy to optimise the age structure of its herd.

+ Sales commissions structure

The Company will look at new commission and repayment structures of its sales commission business model. To date, the Company has sold cows to external farmers by estimating the remaining useful life of the cow based on their age when sold and then having a repayment plan over this period (anywhere between 1 to 8 years). Over the repayment period, the external farmers who purchase the Company cows must provide 30% of the milk sales generated by selling the milk to the Company's customers as a fee for arranging the sale of milk. This enables the Company to earn a sales commission from a cow for the milk sold over its useful life even after the cow is sold to an external party.

The Company will investigate different structures to sell cows which will align better with its continuing optimisation of the age structure of its herd. It's CDC's intention to look at longer repayment periods of 6 to 8 years while adjusting the sales commission down from 30% to 20%. While this would yield a lower commission, it would provide the revenue stream per cow over a longer period while also gaining more interest from external farmers due to the decreased sales commission. The Company anticipates that a structure similar to this would result in a larger number of cows sold and a greater production quantity from a business model where the Company has lower direct costs.

+ Processed liquid milk

One of the Company's growth and diversification initiatives is to develop a new business stream which provides processed liquid milk products for children. The Company sees this as a large growth area in China, especially given the recent announcement by the PRC Government of the removal of the one child policy by allowing families to have two children. This is expected to increase demand for dairy products.

One of the aims of the Company is to produce raw milk that will be used in its processed milk products that has all the nutritional requirements without the need for additives to be put in during the processing stage. This will require a focus on specialised feed for the cows to ensure that the milk produced in high in nutritional content and suitable for children.

The Company begun work on this research & development into feed by working with the Northeast Agricultural University (**"NAU"**) to investigate different diets for cows that can achieve the Company's goals.

Currently, testing is being conducted on some of the Company's cows on the Yulong farm which will be used as the initial base for this business stream.

In addition, the Company is in the initial stages of cooperating with Harbin Institute of Technology to carry on research and development of new types of children's dairy products.

The research and development into adequate feed and children's dairy products, which is the initial phase of the new business venture, is expected to be done over the next few years and will include finalising the feed and types of processed dairy products to produce in a small-scale production facility.

Once the initial phase of the project has been completed, the Company will scale up the production of the processed dairy products by increasing its production facilities and cows used to produce milk for its processed liquid milk products.

The Company also intends to expand into Mongolia with respect to this business stream for a number of reasons including its proximity to Heilongjiang, the country's established dairy industry which has good support from the government and low labour and land costs. In Mongolia, the Company will develop a second base for testing and production of processed liquid milk for children.

The Company's management have repeatedly travelled to Mongolia to inspect various sites with the intention of establishing a test base on which they will first set up a mid-sized dairy farm and subsequently acquire between 800 and 1,200 cows to conduct breeding research and development. It is expected that the Company will achieve its aims with its short-term Mongolian expansion sometime in 2017.

+ Australian investments and/or acquisitions

In Australia, the Group's inorganic growth initiatives will be focused on two fronts; exploring the acquisition of dairy processors of high quality products while also searching for dairy farming operations which will allow the Group to improve its farming processes and technologies.

Australia has a strong reputation in global markets as having an advanced dairy industry that produces high quality and safe dairy products. The Chinese milk scandal of 2008, where milk products were adulterated with melamine, put significant pressure on the Chinese dairy industry and caused consumers in the country to put more trust in products from advanced dairy producing nations like Australia than they do on local products. This provides a good opportunity for the Group to explore acquisitions of, or investments in, dairy product producers in Australia to sell their products into the Chinese market.

As an advanced dairy producing nation, Australia's technological processes in cow breeding and milk production are of a higher standard than those typically found in China. As such, the Group will also explore acquisitions of Australian dairy businesses that possess the processes and technologies that can be applied to the Group's operations in China to improve the efficiency and quality of milk production.

The Company has been exploring the Australian market since its listing on the ASX to find suitable candidates in line with its inorganic growth plan in Australia.

DIRECTORS' REPORT

The Directors of China Dairy Corporation Limited (the **"Company"**) are pleased to present their report, together with the financial report of the Company and its controlled entities (the **"Group"**) for the financial year ended 30 June 2017, and the auditor's report.

Board of Directors

The Company currently has a Board comprising of two Executive Directors, including the Executive Chairman and Chief Executive Officer, and three Independent Non-Executive Directors.

The following persons were directors of the Company during the financial year ended 30 June 2017 and up to the date of this report.

Name, role/s and independence status	Experience and other directorships
Mr. Enjia Liu *Executive Chairman* Director since 10 August 2015	Mr. Enjia Liu is the Executive Chairman of the Company and China Modern Agricultural Information, Inc. He possesses a broad base of knowledge and experience in the agriculture industry. Between 1985 and 1991, Mr. Enjia Liu served as the chairman of the Board for Hong Kong Yunli Development (Heilongjiang) Co. Since 1991, Mr. Enjia Liu has served as the chairman and President of Hong Kong Yunli Group. Since 1994, Mr. Enjia Liu has served as a Guest Lecturer and Visiting Professor at the Social Development Institute at Peking University as well as a Visiting Professor at Shenzhen University. Since 1995, Mr. Enjia Liu has been a Guest Researcher with the State Economic System Reform Committee, a Consultant for the Heilongjiang Provincial Government System, as well as the Honorary President of the Chamber of Commerce of the Heilongjiang Province. In 1996, at the National Agricultural Conference, Mr. Enjia Liu proposed the business model for agricultural enterprise, which was published in the People's Forum. Mr. Enjia Liu also established the "Zhongxian Agriculture" theory and the harmonious ecological agricultural practice model which has been implemented in the Heilongjiang Province, winning high praise from State leaders and the State Council. He is advancing the "Zhongxian Agriculture" model and business commercialization theory. Mr. Enjia Liu is a Dedicated Researcher of China's economic behaviour and reform, and has served as the director of China's Economic Behaviour Centre since 2007. Mr. Enjia Liu holds a Doctor of Social Science from Beijing University and a Master of Economics from the Heilongjiang Commercial College.
Mr. Youliang Wang *Chief Executive Officer*	Mr. Youliang Wang serves as the Chief Executive Officer of the Company and China Modern Agricultural Information Inc. and is also the Executive Director of China Modern Agricultural Information, Inc.

Name, role/s and independence status	Experience and other directorships
Member of the Nomination and Remuneration Committee Director since 10 August 2015	From 1991 to 1997 Mr. Wang was a staff member of the Tonghua Branch of China Construction Bank. Thereafter, from 1997 to 2006, he was the Founder and General Manager of TonghuaHongyuan Trading Co., Ltd. From 2006 to 2008, Mr Wang served as the Chief Marketing Officer of Yunnan NanyaoJiaoxiong Pharmaceutical Co., Ltd. From 2008 to 2010 he served as the Vice President of Guofa Venture Investment Co., Ltd. Mr. Wang graduated from Jilin University with a degree in Finance.
The Hon. Andrew John Stoner *Deputy Chairman and Independent Non-Executive Director* Chairman of the Audit and Risk Committee Secretary of the Nomination and Remuneration Committee Director since 30 June 2016	The Hon. Andrew John Stoner serves as the Deputy Chairman and an Independent Non-Executive Director of the Company. He was a member of the New South Wales Legislative Assembly, representing the electorate of Oxley from 1999 to 2015. He has also performed in the role as the Leader of the Nationals NSW (2003 - 2014) and Deputy Premier of NSW and Minister for Trade & Investment, Tourism & Major Events, Small Business, Regional Infrastructure & Services (2011 - 2014). Mr Stoner currently holds several directorships including Director & CEO, Andrew Stoner & Associates Pty Ltd; Director, Sports Aviation Flight School Australia Ltd; Director, Slasherteck Pty Ltd; Director, Aquaculture Industries Australia Ltd; Director, Bojun Agricultural Holdings Limited; Director, Global Fortune Investment Limited; Director, Drone Innovation Ltd; and Director, Accessible Publishing Systems Pty Ltd; In addition, Mr Stoner is a Senior Adviser, Moelis & Company Pty Ltd; Senior Adviser, Yuhu Group (Australia) Ltd; Senior Honorary Adviser, Australia China Investment Group; Senior Adviser, Australia China Entrepreneurs Club; and Advisory Board Member, NSW Leaders.
Mr. David Paul Batten *Independent Non-Executive Director and Local Agent* Chairman of the Nomination and Remuneration Committee Secretary of the Audit and Risk Committee Director since 10 August 2015	Mr David Batten serves as an Independent Non-Executive Director of the Company and has more than 25 years of experience in financial markets with more than half of those years spent in a managerial role. His specialty has been in derivatives where he has experience in the bullion, equities, commodities, foreign exchange and interest rate markets. Mr Batten has primarily worked for large foreign banking institutions such as Bankers Trust Australia, Goldman Sachs, JBWere and the Republic Bank of New York (both in Sydney and New York) within the corporate arena and is currently the non-executive chairman and company secretary of ASX-listed business advisory and enterprise management consulting business, Victor Group Holdings Limited.
Mr. Lidong Jiang *Independent Non-Executive Director* Member of the Audit and Risk Committee	Mr Lidong Jiang serves as an Independent Non-Executive Director of the Company and holds a Master of Economics from Beijing University. Mr Jiang is the deputy secretary general and executive member of the council in Border Area Economic Society of China.

Name, role/s and independence status	Experience and other directorships
Director since 10 August 2015	Mr Jiang is also the deputy secretary general and executive member of the council in Heilongjiang Animal Husbandry Economy Society and a member of the council in China Animal Husbandry Economy Society. He is the vice president of Rural Development Research Institute in Heilongjiang Province, the vice-chairman of Economic Societies in Heilongjiang Province and a member of the Scientific Advisory Committee in Heilongjiang Province. Mr Jiang is also a member of the Audit and Risk Committee of the Company.
Mr. John James Fick *Deputy Chairman and Independent Non-Executive Director (Former)* Chairman of the Audit and Risk Committee (Former) Secretary of the Nomination and Remuneration Committee (Former) Director from 10 August 2015 to 4 July 2016, when he resigned	Mr John James Fick served as the Deputy Chairman and an Independent Non-Executive Director of the Company. Mr Fick has 30 years' experience, including in key management roles, in manufacturing and materials businesses, including Boral Ltd. He also serves as the director of Ultima Capital Investments Pty. Ltd. He has experience across many vertical markets, including agriculture, communications, IT, energy, environment, finance/banking, security and transportation. Mr Fick has held positions including general manager of Strategic Management in large public companies, served as Manager Cable Planning for the first broadband submarine cables with the Overseas Telecommunications Commission, and Technology Director with Aristocrat Leisure Limited during the mid-1990's. Mr Fick holds an adjunct position at the Institute for Sustainable Futures at the University of Technology Sydney, and has held adjunct positions in Venture Capital at the Macquarie University of Graduate School of Management. He has been a Research Fellow at the Australian National University and the University of New South Wales. Mr. Fick has business experience in over 30 countries in advanced technology commercialisation, in structuring joint venture programs, venture capital and the design of research institutes, including many Cooperative Research Centres over the past decade and Australia's National ICT research centre (NICTA). Mr Fick currently serves as the chairman of Ultima Capital Holdings Pty Ltd. He served as a director of ASX listed Pacific Enviromin Limited from June 14, 2006 to July 3, 2007. He has served as a director of several technology and investment companies, and is an experienced Company Director, having held roles on public sector and public listed organization boards. Mr Fick is a Fellow of the Australian Institute of Company Directors.

Company Secretary

The Company currently and over the 2017 financial year employed Mr Justyn Stedwell from Stedwell Corporate Pty Ltd as the Company Secretary in Australia. Mr Justyn Stedwell is directly accountable to the Board in relation to matters of governance. Its role includes advising the Board and its Committees on governance matters, monitoring that policy and procedures are followed, coordinating the timely completion and despatch of Board papers and ensuring that the business at meetings is accurately captured in the minutes.

Directors' meetings

The number of meetings of the Board and each Board Committee, and the number of meetings attended by each of the Directors of the Company as a member of the Board during the 2017 financial year are presented below. In total, 3 Board meetings were held and no Audit and Risk Committee or Remuneration and Nomination Committee meetings were held.

Director	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Enjia Liu	2	3	-	-	-	-
Youliang Wang	3	3	-	-	-	-
Andrew Stoner[2]	2	-	-	-	-	-
David Batten	3	3	-	-	-	-
Lidong Jiang	2	3	-	-	-	-
John Fick[3]	-	3	-	-	-	-

Notes:

1. Represents the number of meetings held during the period the Director held office or was a member of the relevant committee.
2. Joined the Board as an Independent Non-Executive Director on 30 June 2016.
3. Resigned from the Board on 4 July 2016.

Directors' interests

The relevant interests of each Director in the shares/CDIs issued by the Company as at the date of this report are presented below.

Director	Number of shares/CDIs held directly	Number of shares/CDIs held indirectly
Enjia Liu	-	2,697,625
Youliang Wang	-	84,632,999
Andrew Stoner	-	129,000
David Batten	-	-
Lidong Jiang	-	-

Directors' remuneration

The nature and amount of each major element of remuneration of each Director of the Company of the Group for financial year ending 30 June 2017 are:

Director	Year	Cash and Fees	Leave entitlements	Superannuation	Cash Bonus	Share Bonus	Total
Non-Executive Directors							
Andrew Stoner[1]	2017	A$52,500	-	-	-	-	A$52,500
David Batten	2017	A$55,000	-	-	-	-	A$33,333
Lidong Jiang	2017	A$33,333	-	-	-	-	A$33,333
John Fick[2]	2017	-	-	-	-	-	-
Executive Directors							
Enjia Liu	2017	A$33,333	-	-	-	-	A$33,333
Youliang Wang	2017	A$33,333	-	-	-	-	A$33,333

Notes:

1. Joined the Board as an Independent Non-Executive Director on 30 June 2016.
2. Resigned from the Board on 4 July 2016.

Principal activities

During the 2017 financial year, the principal continuing activities of the Group consisted of the production and wholesale of raw milk and the rearing, breeding and sale of dairy cows.

Review of operations

Please refer to pages 5 to 10 for a review of the operations and financials of the Group.

Likely developments

Please refer to pages 5 to 10 for a review of the likely developments of the Group.

Dividends

On 6 March 2017, the Company declared an unfranked interim dividend of A$0.0064 per CDI for the 9 months ending 31 December 2016.

Auditor's remuneration

Wei, Wei & Co. LLP are the auditors of the Group and were paid US$40,000 for the audit work conducted on the Group.

Subsequent events

No matters or circumstances have arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

On behalf of the Board,

Mr. Enjia Liu
Executive Chairman

Signed in Harbin, China on 29 September 2017

WEI WEI & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

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July 10, 2017

Board of Directors
China Dairy Corporation Ltd. and Subsidiaries
Level 36, Gateway Tower, 1 Macquarie Place
Sydney, New South Wales,
AUSTRALIA, 2000

PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*, requires that we disclose to you in writing, at least annually, all relationships between our firm and any affiliates and your company and its related entities or persons in financial reporting oversight roles at your company that may reasonably be thought to bear on independence.

We are not aware of any such relationships.

We confirm that we are independent of the China Dairy Corporation Ltd. and Subsidiaries in compliance with Rule 3520 and within the meaning of the federal securities laws administered by the Securities and Exchange Commission.

This letter is intended solely for use by you and other members of the Board of Directors in your consideration of our independence (should we be appointed as your company's auditor) and should not be used for any other purpose.

Very truly yours,

Wei Wei & Co. LLP

Wei, Wei & Co., LLP

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company. The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company.

In conducting business, the Board's objective is to ensure that the Company is properly managed to protect and enhance shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company's corporate governance statement for the reporting period ending 30 June 2017 is dated as at 30 September 2017 and was approved by the Board on 30 September 2017. It can be accessed at http://chinadairyco.com/corporate-governance.shtml.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Stockholders of China Dairy Corporation Limited. and Subsidiaries

We have audited the accompanying consolidated balance sheets of China Dairy Corporation Limited. and Subsidiaries (the "Company") as of June 30, 2017 and 2016 and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two year period ended June 30, 2017. China Dairy Corporation Limited. and Subsidiaries' management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Dairy Corporation Limited. and Subsidiaries as of June 30, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the years in two year period ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

Wei Wei & Co. LLP

September 29, 2017
Flushing, New York

Consolidated Statements of Income and Other Comprehensive Income (Loss)

For the years ended 30 June 2017 and 30 June 2016 (in US$)

	2017	2016
	$	$
Revenues		
Milk sales	**101,816,625**	81,604,871
Sales commission	**17,998,410**	19,486,432
Total revenues	**119,815,035**	101,091,303
Cost of goods sold	**(74,262,475)**	(57,626,223)
Gross profit	**45,552,560**	43,465,080
Operating expenses		
R&D expenses	**869,648**	306,616
Selling and marketing	**1,085,297**	1,889,864
General and administrative	**3,259,009**	3,659,087
Total operating expenses	**5,213,954**	5,855,567
Operating income	**40,338,606**	37,609,513
Other income and expenses		
Interest income on notes receivable	**974,051**	588,822
Gain (Loss) on disposal of properties	**943,278**	(373,108)
Other non-operating income	**127,370**	174,802
Total other income (expenses)	**2,044,699**	390,516
Income before provision for income taxes	**42,383,305**	38,000,029
Provision for income taxes	**-**	2,403,996
Net income before non-controlling interests	**42,383,305**	35,596,033
Non-controlling interests	**(309,479)**	(293,542)
Net income attributable to common shareholders	**42,073,826**	35,302,491
Other comprehensive income		
Foreign currency translation adjustment	**(2,402,987)**	(11,570,506)
Total comprehensive income	**39,670,839**	23,731,985

See accompanying notes to the consolidated financial statements

Consolidated Balance Sheets

30 June 2017 and 30 June 2016 (in US$)

ASSETS	30 June 2017	30 June 2016
	$	$
Current assets		
Cash	**46,745,369**	27,713,067
Accounts receivable	**26,170,771**	24,783,720
Inventories	**1,042,171**	1,122,843
Prepaid expenses	**1,374,693**	1,216,963
Interest receivable	**1,023,769**	474,803
Loan to related party	**28,980**	-
Notes receivable, current portion	**4,661,775**	2,097,363
Total current assets	**81,047,528**	57,408,759
Non-current assets		
Property, plant and equipment, net	**26,622,562**	34,327,757
Notes receivable	**19,193,347**	4,943,622
Prepaid leases and construction	**39,165,460**	45,483,513
Biological assets, net	**73,112,101**	64,136,851
Total non-current assets	**158,093,470**	148,891,743
TOTAL ASSETS	**239,140,998**	206,300,502

See accompanying notes to the consolidated financial statements

Consolidated Balance Sheets (Continued)

30 June 2017 and 30 June 2016 (in US$)

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2017	30 June 2016
	$	$
Current liabilities		
Accrued expenses and other payables	**765,271**	401,430
Dividend payable	**-**	3,116,969
Shareholder loans	**1,522,341**	1,430,707
Total current liabilities	**2,287,612**	4,949,106
Deferred income taxes	**40,066,873**	40,876,903
Total liabilities	**42,354,485**	45,826,009
Commitments and contingencies		
Shareholders' equity		
Issued and paid up capital	**51,522,467**	51,522,467
Retained earnings	**151,885,470**	113,387,170
Statutory reserve fund	**792,174**	792,174
Other comprehensive (loss) income	**(9,200,620)**	(6,797,633)
Sub-total	**194,999,491**	158,904,178
Non-controlling interests	**1,787,022**	1,570,315
Total shareholders' equity	**196,786,513**	160,474,493
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**239,140,998**	206,300,502

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Shareholder's Equity

For the years ended 30 June 2017 and 30 June 2016 (in US$)

	Issued and paid up Capital	Retained Earnings	Statutory Reserve Fund	Non-controlling Interests	Other Comprehensive Income	Total
	$	$	$	$	$	$
Balance 30 June 2015	1,206,800	118,856,123	792,174	1,276,773	4,772,873	126,904,743
Share compensation	37,762,400	-	-	-	-	37,762,400
Sales of shares	12,553,267					12,553,267
Net income	-	35,302,491	-	293,542	-	35,596,033
Dividend distribution	-	(40,771,444)	-	-	-	(40,771,444)
Other comprehensive income	-	-	-	-	(11,570,506)	(11,570,506)
Balance 30 June 2016	51,522,467	113,387,170	792,174	1,570,315	(6,797,633)	160,474,493
Net income		42,073,826		309,479		42,383,305
Dividend distribution		(3,575,526)		(92,772)		(3,668,298)
Other comprehensive income					(2,402,987)	(2,402,987)
Balance 30 June 2017	51,522,467	151,885,470	792,174	1,787,022	(9,200,620)	196,786,513

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

For the years ended 30 June 2017 and 30 June 2016 (in US$)

	2017	2016
	$	$
Cash flows from operating activities		
Net income before non-controlling interest	**42,383,305**	35,596,033
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	**7,191,346**	4,828,085
Amortization for prepaid land lease	**1,684,865**	1,789,248
Deferred income taxes		2,403,996
(Gain)/Loss from disposal from biological assets	**(2,130,881)**	215,997
Loss from disposal from property, plant and equipment		-
Change in operating assets and liabilities		
(Increase) in accounts receivable	**(1,909,789)**	(18,408,219)
(Increase)/decrease in inventories	**80,672**	(436,162)
(Increase)/decrease in prepayment	**(456,580)**	(179,941)
(Increase) decrease in interest receivable	**(556,104)**	(316,576)
Increase in accrued expenses and other payables	**370,220**	463,871
Net cash provided by operating activities	**46,657,054**	25,956,332
Cash flows from investing activities		
Collection of notes receivable	**2,996,733**	2,090,254
Proceeds from sales of biological assets	**8,091,913**	955,494
Purchase of property, plant and equipment	**(2,510,227)**	(28,009,904)
(Increase) in biological assets	**(16,973,353)**	(17,898,729)
Proceeds from disposal from property, plant and equipment	**7,491,900**	
Proceeds from disposal of prepaid lease	**3,716,570**	-
Purchase of biological property	**(23,577,450)**	(15,623,459)
Net cash (used in) investing activities	**(20,763,914)**	(58,486,344)
Cash flows from financing activities		
Dividend paid	**(6,785,267)**	-
Proceeds from sales of common shares by subsidiary	**-**	12,553,267
Proceeds from shareholder loans	**111,957**	-
Repayment of shareholder loans	**(20,935)**	-
Repayment of inter-group loans	**(28,451)**	(3,166,963)
Net cash provided by financing activities	**(6,722,696)**	9,386,304

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows (Continued)

For the years ended 30 June 2017 and 30 June 2016 (in US$)

	2017	2016
	$	$
Effect of exchange rate changes on cash	**(138,142)**	(3,289,006)
Net (decrease) in cash	**19,032,302**	(26,432,714)
Cash, beginning of year	**27,713,067**	54,145,781
Cash, end of year	**46,745,369**	27,713,067
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	**-**	-
Cash paid for interest	**-**	-
Supplemental disclosure of non-cash activities:		
Payment of accrued expenses by shareholder	**154,000**	668,445
Construction in process transferred from prepayment	**-**	2,683,232
Construction in process not paid	**-**	84,837
Dividend declared not paid	**-**	3,050,615

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

For the years ended 30 June 2017 and 30 June 2016 (in US$)

1. ORGANISATION

China Dairy Corporation Limited. (The "Company"), formerly known as Zhongxian Animal Husbandry Management Co., Ltd (the "Zhongxian Animal"), was incorporated on 22 January 2015 under the laws of Hong Kong. On 7 August 2015, the Board of Directors of Zhongxian Animal filed an amendment to the Registra of Companies, Hong Kong Special Administrative Region to effect the name change from Zhongxian Animal to China Dairy Corporation Limited.

China Modern Agricultural Information, Inc. (the "CMCI"), formerly known as Trade Link Wholesalers, Inc. ("Trade Link"), was incorporated on 22 December 2008 under the laws of the State of Nevada. On 4 April 2011, the Board of Directors of Trade Link filed an amendment to the Certificate of Incorporation with the State of Nevada to effect the name change from Trade Link to China Modern Agricultural Information, Inc.

On 28 January 2011, Trade Link entered into a Share Exchange Agreement (the "Exchange Agreement") by and among (i) Value Development Holdings, Ltd. ("Value Development"), a British Virgin Islands company, ("BVI") (ii) Value Development's shareholders, (iii) Trade Link, and (iv) Trade Link's principal shareholders. Pursuant to the terms of the Exchange Agreement, Value Development and the Value Development shareholders transferred to Trade Link all of the shares of Value Development in exchange for the issuance of 35,998,000 shares of Trade Link's common stock as set forth in the Exchange Agreement, so that the Value Development shareholders owned 87.80% of Trade Link's outstanding shares (the "Share Exchange").

On 28 January 2011, Value Development through its wholly owned subsidiaries, Value Development Group Limited completed the acquisition of Harbin Jiasheng Consulting Managerial Co. Ltd. ("Jiasheng Consulting" or "WFOE"), a holding company. Jiasheng Consulting has Variable Interest Entity ("VIE") agreements with Mr. Liu Zhengxin, the Company's Chief HR Officer, and Mr. Wang Youliang, the Company's Chief Executive Officer, as well as with Heilongjiang Zhongxian Information Co., Ltd. ("Zhongxian Information"). Mr. Zhengxin holds a 62% equity interest in Zhongxian Information and Mr. Youliang holds a 38% equity interest in Zhongxian Information. Pursuant to the VIE agreement signed by Mr. Zhengxin and Mr. Youliang, Jiasheng Consulting now controls and performs all management responsibilities for Zhongxian Information. The contractual arrangements are comprised of a series of agreements, including a shareholder voting rights proxy agreement, exclusive consulting and service agreement, exclusive call option agreement and equity pledge agreement, through which Jiasheng Consulting has the right to provide exclusive and complete business support and technical and consulting services to Zhongxian Information for an annual fee in the amount of Zhongxian Information's yearly net profits after tax. Additionally, Zhongxian Information's shareholders have pledged their rights, title and equity interests in Zhongxian Information as security for the collection of consulting and service fees provided through an Equity Pledge Agreement.

In order to further reinforce Jiasheng Consulting's rights to control and operate Zhongxian Information, the shareholders of Zhongxian Information have granted Jiasheng Consulting the exclusive right and option to acquire all of their equity interests in Zhongxian Information through an Exclusive Option Agreement.

The exchange agreement transaction constituted a reverse takeover transaction. Accordingly, reverse takeover accounting was adopted for the preparation of the consolidated financial statements. As a result, the consolidated financial statements are issued under the name of China Modern Agricultural Information, Inc. (the legal acquirer), but are a continuation of the consolidated financial statements of Value Development (the accounting acquirer) and the VIE its subsidiaries. Before and after the Share Exchange, Value Development, Value Development Group Limited (a wholly-owned subsidiary of Value Development), Jiasheng Consulting, and Zhongxian Information and their 99% owned subsidiary, Heilongjiang Xinhua Cattle Industry Co., Ltd. ("Xinhua Cattle") were under common control. Therefore, the reorganization was effectively a legal recapitalization accounted for as transactions between entities under common control at the carry over basis, in a manner similar to pooling-of-interests accounting.

Zhongxian Information and Xinhua Cattle are engaged in the acquisition, breeding and rearing of dairy cows, and production and sale of fresh milk to manufacturing and distribution companies. Zhongxian Information was established in China in January 2005 with registered capital of 10 million Renminbi ("RMB"). In February 2006, it acquired 99% of the registered capital of Xinhua Cattle, which was established in China in December 2005 with registered capital of three million RMB. Xinhua Cattle had no significant activities and its cost approximated the fair value at the date of acquisition.

On 23 November 2011, Zhongxian Information acquired 100% of the equity interest of Shangzhi Yulong Co., Ltd. ("Yulong") from Yulong's original shareholders for consideration of 9,000,000 shares of the Company's common stock and cash consideration of $4,396,000.

Yulong was a privately held company in China engaged in the acquisition, breeding and rearing of dairy cows, and production and sale of fresh milk to manufacturing and distribution companies.

On 16 July 2015, CMCI transferred 100% of the issued and outstanding shares of Value Development Holdings, Ltd. ("Value Development") to the Company, which is 60% owned indirectly by the CMCI through CMCI's wholly owned subsidiary, Hope Diary Holdings Ltd. ("Hope Diary," a British Virgin Islands company). The Company did not have any significant assets or liabilities, or business operations, which was 100% owned by CMCI's PRC corporate advisor, who formed the Company on behalf of the CMCI. Further, the sole shareholder transferred 60% of the total outstanding shares of the Company to Hope Diary and 40% to various shareholders and consultants of CMCI (as described below) for nominal consideration.

These transactions involve no consideration received or paid as Value Development and the Company are under common control by CMCI and this transaction is a restriction to the CMCI's interests in Value Development.

The 40% of the 10,000 shares of the Company were transferred from the sole shareholder of the Company to the following entities for nominal consideration, which has direct or indirect relationship with the shareholder and consultants of CMCI: 3% to Beijing Ruihua Future, 4% to Donghe Group, 3% to Integral Capital, 20% to Dingxi Shanghai Fund and 10% to Zhiyuan International. Immediately after the transfer, 65,000 bonus shares were issued at no consideration for every existing share held by the following entities.

	Original Shares	**After bonus shares issued**
Hope Diary Holdings Ltd.	6,000	390,000,000
Beijing Ruihua Future Investment Management Co. Ltd.	300	19,500,000
Donghe Group Limited	400	26,000,000
Integral Capital Group Pty Ltd.	300	19,500,000
Dingxi (Shanghai) Equity Investment Fund	2,000	130,000,000
Zhiyuan International Holding Co. Limited	1,000	65,000,000
Total	**10,000**	**650,000,000**

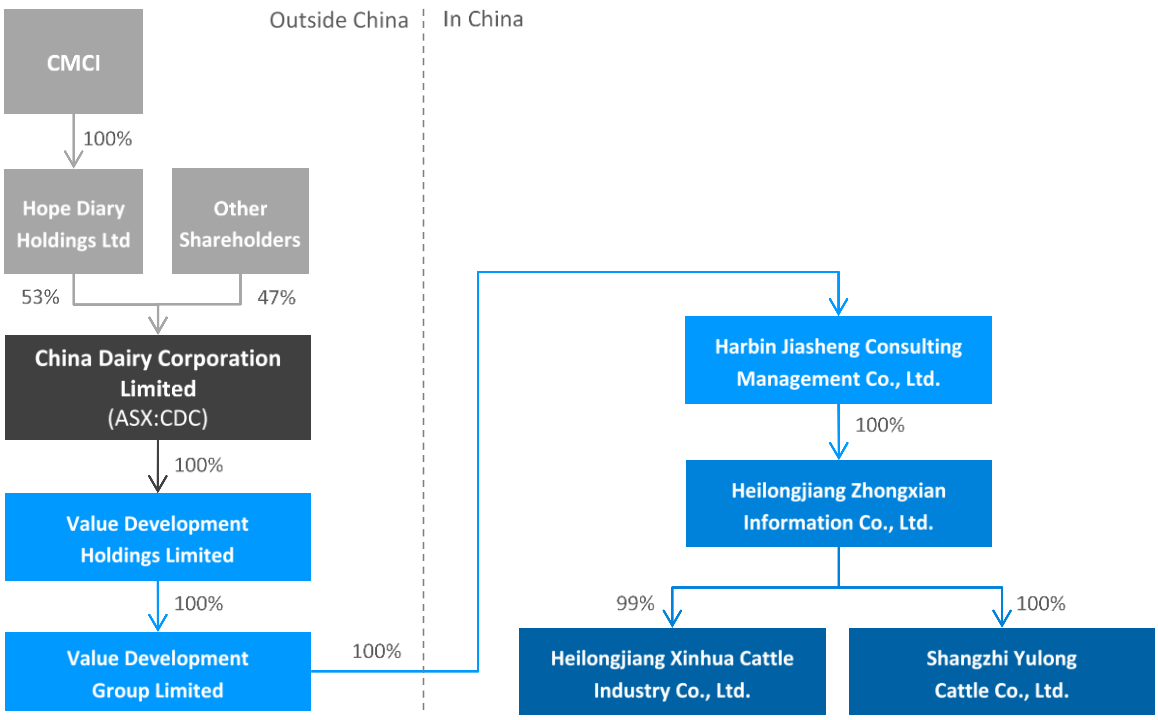
Value Development is the sole owner of Value Development Group Limited, which is the sole owner of Harbin Jiasheng Consulting Managerial Co. Ltd., which is CMCI's subsidiary in China, with respect to which the operating company, Heilongjiang Zhongxian Information Co. Ltd., is a variable interest entity.

On 16 September 2015, the Company wholly owned subsidiary, Harbin Jiasheng Consulting Management Co., Ltd. ("Jiasheng Consulting"), exercised its option to purchase all of the registered equity of the Company's operating subsidiary, Heilongjiang Zhongxian Information Co., Ltd. ("Zhongxian Information") from its shareholders Zhengxin Liu and Youliang Wang, who are also the members of the Company's Board of Directors, for RMB10, 000 (approximately $1,554).

Prior to the acquisition, Jiasheng Consulting controlled Zhongxian Information through a series of contractual agreements, which made Zhongxian Information a variable interest entity, the effect of which was to cause the balance sheet and operating results of Zhongxian Information to be consolidated with those of Jiasheng Consulting in the Company's financial statements. As a result of the acquisition by Jiasheng Consulting of the registered ownership of Zhongxian Information, the balance sheet and operating results of Zhongxian Information will hereafter continue to be consolidated with those of Jiasheng Consulting as its 100% owned subsidiary.

On 8 April 2016, the Company issued 84,906,541 CDI shares at AUD $0.2 per share on ASX and raised total fund of AUD $16,981,308 (USD $13,021,267).

As a result of the entry into the foregoing agreements, the Company has a corporate structure as set forth below:



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the financial statements of China Dairy Corporation Limited and its subsidiaries, Value Development, Value Development Group Limited, Jiasheng Consulting, and, Zhongxian Information and Zhongxian Information's 99% owned subsidiary, Xinhua Cattle and its 100% owned subsidiary, Yulong. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements of the Company as of 30 June 2017 and 30 June 2016 and for each of the years then ended, have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the SEC which apply to interim financial statements.

Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, "Consolidation" ("ASC 810"), the Company is required to include in its consolidated financial statements the financial statements of its VIE's. ASC 810 requires a VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIE or is entitled to receive a majority of the VIE's residual returns. VIEs are those entities in which a company, through contractual arrangements, bears the risk of, and enjoys the rewards normally associated with ownership of the entity, and therefore the company is the primary beneficiary of the entity.

Variable Interest Entity

Zhongxian Information and its subsidiaries (collectively, the "Chinese VIE") have no assets that are collateral for or restricted solely to settle their obligations. The creditors of the Chinese VIE and its subsidiaries do not have recourse to the Company's general credit. Because Value Development, Value Development Group Limited and Jiasheng Consulting are established for the sole purpose of holding ownership interest and do not have any operations, the financial statement amounts and balances are principally those of the Chinese VIE and its subsidiaries.

Under ASC 810, an enterprise has a controlling financial interest in a VIE, and must consolidate that VIE, if the enterprise has both of the following characteristics: (a) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance; and (b) the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE. The Company's determination of whether it has this power is not affected by the existence of kick-out rights or participating rights, unless a single enterprise, including its related parties and de facto agents, has the unilateral ability to exercise those rights. The Chinese VIE's actual shareholders do not hold any kick-out rights that will affect the consolidation determination.

On 16 September 2015, the VIE structure was terminated upon the Jiasheng Consulting exercised its option to purchase all of the registered equity of Zhongxian Information. Jiasheng Consulting became the sole owner of Zhongxian Information.

Foreign Currency Translations

All Company assets are located in People's Republic of China ("PRC"). The functional currency for the majority of the Company's operations is the Renminbi ("RMB"). The Company uses the United States dollar ("US Dollar" or "US$" or "$") for financial reporting purposes. The consolidated financial statements of the Company have been translated into US dollars in accordance with FASB ASC 830, "Foreign Currency Matters." All asset and liability accounts have been translated using the exchange rate in effect at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transactions occurred. Statements of income and other comprehensive income amounts have been translated using the average exchange rate for the periods presented. Adjustments resulting from the translation of the Company's consolidated financial statements are recorded as other comprehensive income ("OCI").

The exchange rates used to translate amounts in RMB and Australian dollars (the "A$" or "AUD$") into US dollars for preparing the consolidated financial statements are as follows:

	30 June 2017		30 June 2016	
	RMB	A$	RMB	A$
Balance sheet items, except for shareholders' equity, as of period end	**0.1475**	**0.7678**	0.1505	0.7441
Amounts included in the statements of income, statement of changes in shareholders' equity and statements of cash flows for the period	**0.1469**	**0.7538**	0.1554	0.7283

Foreign currency translation adjustments of $(2,402,987) and $(11,590,506), respectively, for the years ended 30 June 2017 and 30 June 2016, have been reported as other comprehensive income (loss) in the consolidated statements of income and other comprehensive income (loss). Other comprehensive income (loss) of the Company consists entirely of foreign currency translation adjustments. Pursuant to ASC 740-30-25-17, "Exceptions to Comprehensive Recognition of Deferred Income Taxes," the Company does not recognize deferred U.S. taxes related to the undistributed earnings of its foreign subsidiaries and, accordingly, recognizes no income tax expense or benefit from foreign currency translation adjustments.

Although government regulations now allow convertibility of the RMB for current account transactions, significant restrictions still remain. Hence, such translations should not be construed as representations that the RMB could be converted into US dollars at that rate or any other rate.

The value of the RMB against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Any significant revaluation of the RMB could materially affect the Company's consolidated financial condition in terms of US dollar reporting.

Revenue Recognition

The Company's primary sources of revenues are derived from (a) sale of fresh milk to Chinese manufacturing and distribution companies of dairy products and (b) commissions from local farmers on their monthly milk sales. The Company's revenue recognition policies comply with FASB ASC 605, "Revenue Recognition." Revenues from the sale of goods are recognized when the goods are delivered and the title is transferred, the risks and rewards of ownership have been transferred to the customer, the price is fixed and determinable and collection of the related receivable is reasonably assured.

Milk sales revenue is recognized when the title has been passed to the customers, which is the date when the milk is delivered to designated locations and accepted by the customers and the previously discussed requirements are met. Fresh milk is delivered to its customers on a daily basis. The customers' acceptance occurs upon inspection of the quality and measurement of quantity at the time of delivery. The Company does not provide the customer with the right of return. Sales commission revenue is recognized on a monthly basis based on monthly sales reports received.

Vulnerability Due to Operations in PRC

The Company's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than twenty years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC's political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value of Financial Instruments

FASB ASC 820, "Fair Value Measurement" specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on valuation techniques that are both unobservable and Significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company did not identify any assets or liabilities that are required to be presented at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, accounts receivable, interest receivable, accrued expenses, and other payables, and shareholder loans, approximated their fair values due to the short maturity of these financial instruments. The carrying value of notes receivable is valued at their net realizable value which approximates the fair value. There were no changes in methods or assumptions during the periods presented.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs are $221,322 and $62,929, respectively, for the years ended 30 June 2017 and 30 June 2016.

Cash and Cash Equivalents

The Company considers all demand and time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable is stated at cost, net of an allowance for doubtful accounts, if required. Receivables outstanding longer than the payment terms are considered past due. The Company maintains an allowance for doubtful accounts for estimated losses when necessary resulting from the failure of customers to make required payments. The Company reviews the accounts receivable on a periodic basis and makes allowances where there is doubt as to the collectability of individual balances.

In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, the customer's payment history, its current credit-worthiness and current economic trends. The Company has 30 days credit term for its milk sales, and usually receives the payment in the following month. The Company considers all accounts receivable at 30 June 2017 and 30 June 2016, to be fully collectible and, therefore, did not provide an allowance for doubtful accounts. For the periods presented, the Company did not write off any accounts receivable as bad debts.

Inventories

Inventories, comprised principally of livestock feed, are valued at the lower of cost or market value. The value of inventories is determined using the weighted average cost method.

The Company estimates an inventory allowance for excessive or unusable inventories. Inventory amounts are reported net of such allowances, if any. There was no allowance for excessive or unusable inventories as of 30 June 2017 and 30 June 2016.

Prepaid Expenses

Prepaid expenses as of 30 June 2017 and 30 June 2016 mainly represent the prepayments of approximately $1,375,000 and $1,216,900, respectively for prepaid cow insurances expenses and for heating expenses.

Prepaid Land Leases

Prepaid land leases represent the prepayment for grassland rental (see Note 7).

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation. Cost includes the price paid to acquire or construct the asset, including capitalized interest during the construction period, and any expenditures that substantially increase the assets value or extends the useful life of an existing asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major repairs and betterments that significantly extend original useful lives or improve productivity are capitalized and depreciated over the periods benefited. Maintenance and repairs are generally expensed as incurred.

The estimated useful lives for property, plant and equipment categories are as follows:

Machinery and equipment	3 to 10 years
Automobiles	4 to 10 years
Building and building improvements	10 to 20 years
Leasehold improvements	Lesser of the remaining term or useful life

Impairment of Long-lived Assets

The Company utilizes FASB ASC 360, “Property, Plant and Equipment” (“ASC 360”), which addresses the financial accounting and reporting for the recognition and measurement of impairment losses for long-lived assets. In accordance with ASC 360, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company may recognize an impairment of a long-lived asset in the event the net book value of such asset exceeds the estimated future undiscounted cash flows attributable to the asset. No impairment of long-lived assets was recognized for the years ended 30 June 2017 and 30 June 2016.

Biological Assets

Biological assets consist of dairy cows for milking purposes and breeding.

Immature Biological Assets

Immature biological assets are recorded at cost, including acquisition costs, transportation costs, insurance expenses, and feeding costs, incurred in raising the cows. Once the cow is able to produce milk, the cost of the immature biological asset is transferred to mature biological assets using the weighted average cost method.

Mature Biological Assets

Mature biological assets are recorded at their original purchase price or the weighted average immature biological asset transfer cost. Depreciation is provided over the estimated useful life of eight years using the straight-line method. The estimated residual value is 10%. Feeding and management costs incurred on mature biological assets are included as cost of goods sold. When biological assets, including male cows, are retired or otherwise disposed of in the normal course of business, the cost and accumulated depreciation will be removed from the accounts and any resulting gain or loss will be included in the results of operations for the respective period. For the years ended 30 June 2017 and 30 June 2016, a gain (loss) of $943,278 and $(373,108), respectively, on the sale of the adult cows is included in non-operating expenses in the accompanying consolidated statements of income and other comprehensive income. (See Note 5)

The Company reviews the carrying value of its biological assets for impairment at least annually or whenever events and circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected from their use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss will be recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by management in performing this assessment include current health status and production capacity. There were no impairment losses recorded during the years ended 30 June 2017 and 30 June 2016.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740, "Income Taxes" ("ASC 740"), which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to the undistributed earnings of the Company's subsidiary under PRC law. Deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. At 30 June 2017 and 30 June 2016, undistributed earnings allocated to Zhongxian Information were approximately $224,700,000 and $192,800,000, respectively.

ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position would be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with uncertain tax positions. As of 30 June 2017 and 30 June 2016, the Company does not have a liability for any uncertain tax positions.

The income tax laws of various jurisdictions in which the Company and its subsidiaries operate are summarized as follows:

BVI

Value Development and Hope Diary are incorporated in the BVI and is governed by the income tax laws of the BVI. According to current BVI income tax law, the applicable income tax rate for the Company is 0%.

Hong Kong

Value Development Group Limited and China Dairy are incorporated in Hong Kong. Pursuant to the income tax laws of Hong Kong, the Company is not subject to tax on non-Hong Kong source income.

PRC

Xinhua Cattle and Yulong are entitled to a tax exemption for the full Enterprise Income Tax in China due to a government tax preferential policy for the dairy farming industry. In January 2015, Zhongxian Information obtained an income tax exemption notice from tax authority to exempt the income tax on its investment income from its subsidiaries Xinhua Cattle and Yulong.

Net Income (Loss) Per Share

The Company computes net income (loss) per common share in accordance with FASB ASC 260, "Earnings Per Share" ("ASC 260"). Under the provisions of ASC 260, basic net income (loss) per common share is computed by dividing the amount available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted income per common share is computed by dividing the amount available to common shareholders by the weighted average number of shares of common stock outstanding plus the effect of any dilutive shares outstanding during the period. Accordingly, the number of weighted average shares outstanding as well as the amount of net income per share are presented for basic and diluted per share calculations for all periods reflected in the accompanying consolidated statements of income and other comprehensive income. There were no dilutive shares outstanding during the years ended 30 June 2017 and 30 June 2016.

Statutory Reserve Fund

Pursuant to the corporate law of the PRC, Jiasheng Consulting and the Company's Chinese VIE and its subsidiaries are required to transfer 10% of their net income, as determined under PRC accounting rules and regulations, to a statutory reserve fund until such reserve balance reaches 50% of its registered capital. The statutory reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or used to increase registered capital, provided that the remaining reserve balance after such use is not less than 25% of the registered capital. As of 30 June 2017 and 30 June 2016, the required statutory reserve funds have been fully funded.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2016, the FASB issued Accounting Standards Update No. 2016-12, Revenue from Contracts with Customers. In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606).'' This guidance supersedes current guidance on revenue recognition in Topic 605, "Revenue Recognition.'' In addition, there are disclosure requirements related to the nature, amount, timing, and uncertainty of revenue recognition. In August 2015, the FASB issued ASU No.2015-14 to defer the effective date of ASU No. 2014-09 for all entities by one year. For public business entities that follow U.S. GAAP, the deferral results in the new revenue standard are being effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2017, with early adoption permitted for interim and annual periods beginning after 15 December 2016. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after 15 December 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This accounting standard update is not expected to have a material impact on the Company's financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The updated guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. The update to the standard is effective for the Company beginning

1 June 2018. The Company is currently evaluating the effect the guidance will have on the Consolidated Financial Statements.

In September 2015, the FASB issued Accounting Standards Update ("ASU") 2015-16: Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"), which eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. ASU 2015-16 is effective for interim and annual periods beginning after 15 December 2015. Early adoption is permitted. This accounting standard update is not expected to have a material impact on the Company's consolidated financial statements.

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The amendment is effective for all entities for fiscal years and interim periods within those fiscal years, beginning after 15 December 2017. Earlier application is permitted only as of annual reporting periods beginning after 15 December 2016, including interim reporting periods within that reporting period. The Company is evaluating the impact of this standard on its Consolidated Financial Statements.

In May 2015, the FASB issued ASU No. 2015-09, "Financial Services-Insurance (Topic 944): Disclosures about Short-Duration Contracts." This guidance requires insurance entities to disclose for annual reporting periods incurred and paid claims development information by accident year, after reinsurance, for the number of years for which claims typically remain open. Disclosures should also include quantitative information about claim frequency and a qualitative description of methodologies used for determining claim frequency information. This guidance is effective for annual reporting periods, including interim periods, beginning after 15 December 2015, and is applicable to the Company's fiscal year beginning 1 June 2016. The early and retrospective application is permitted. This accounting standard update is not expected to have a material impact on the Company's consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (a consensus of the FASB Emerging Issues Task Force)." This guidance removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient and removes certain related disclosure requirements. This guidance is effective for annual reporting periods, including interim periods, beginning after 15 December 2015, and is applicable to the Company's fiscal year beginning 1 June 2016. Early adoption is permitted. This accounting standard update is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This guidance clarifies the accounting treatment for fees paid in cloud computing arrangements, including the determination of whether a cloud computing arrangement includes a software license. This guidance is effective for annual reporting periods, including interim periods, beginning after 15 December 2015, and is applicable to the Company's fiscal year beginning 1 June 2016. Early adoption is permitted. This accounting standard update is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." This Guidance requires debt issuance costs to be presented in the balance sheet as a reduction of the related debt liability rather than an asset. This guidance is effective for annual reporting periods, including interim periods, beginning after 15 December 2015, and is applicable to the Company's fiscal year beginning 1 June 2016. Early adoption is permitted for financial statements not previously issued. This accounting standard update is not expected to have a material impact on the Company's consolidated financial statements.

In January 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2015-01 – Income Statement – Extraordinary and Unusual Items (Subtopic 225-20). This ASU addressed the simplification of income statement presentation by eliminating the concept of extraordinary items. The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of financial statements. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This accounting standard update is not expected to have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued authoritative guidance that requires an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern and requires additional disclosures if certain criteria are met. This guidance is effective for fiscal periods ending after 15 December 2016, with early adoption permitted. This accounting standard update is not expected to have a material impact on the Company's consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	30 June 2017	30 June 2016
	$	$
Machinery and equipment	**3,789,997**	3,866,619
Automobiles	**2,209,169**	2,253,832
Building and building improvements	**26,333,608**	26,865,993
	32,332,774	32,986,444
Less: accumulated depreciation	**(5,710,212)**	(3,354,779)
Construction in process	-	4,696,092
Property, plant and equipment, net	**26,622,562**	34,327,757

Construction in Progress (the "CIP") contains amount paid and accrued on completed new construction but has not been placed into service as of 30 June 2016. No depreciation on those CIP as of 30 June 2016. Depreciation expense charged to operations for the years ended 30 June 2017 and 30 June 2016 were $2,412,060 and $1,950,157, respectively.

On 20 January 2016, the Company signed an agreement with Harbin Donghui Architecture Co., Ltd to construct a new forage production plant. The total agreement amount is RMB 45,615,000 (US $6,864,387). Per the agreement, the company is required to pay according to progress completion for different parts of the plant. As of June 22, 2017, the company paid RMB 48,295,000 (US $ 7,094,536). On June 22, 2017, the Company signed a disposal agreement with a forage production company to sell the CIP at $7,491,900 including VAT (RMB 51,000,000). The net book value of the CIP at the date of the disposal was $7,094,516. The total VAT and surcharges on the selling price was $399,568. There was a loss of $2,204 on the disposal. The Company fully received the sales consideration of $7,491,900 as of 30 June 2017.

5. BIOLOGICAL ASSETS

Biological assets consist of the following:

	30 June 2017	30 June 2016
	$	$
Immature biological assets	**33,409,704**	32,518,050
Mature biological assets	**45,460,518**	36,660,416
	78,870,222	69,178,466
Less: accumulated depreciation	**(5,758,121)**	(5,041,615)
Biological assets, net	**73,112,101**	64,136,851

On November 1, 2016, Xinhua Cattle purchased 3,000 adult cows at a total price of RMB 45,000,000 (US $637,500). On May 2, 2017, Xinhua Cattle also purchased 2,500 adult cows at a total price of RMB 37,500,000 ($5,531,250).

Xinhua Cattle sold a total of 6,286 female calves to outside parties at a total price of RMB 27,137,500 (US $3,986,499 in the year ended June 30, 2017. The net value of these female calves was approximately RMB 39,135,557 (US $5,749,000). Xinhua Cattle also sold 473 pre-adult cows at RMB 3,216,400 (US$472,489) with a net value of RMB 9,650,258 (US$ 1,417,600) in the year ended June 30, 2017.

On November 1, 2016, Xinhua Cattle sold 2,000 newly purchased adult cows to 6 local farmers at a total price of RMB 34,000,000 (US $4,994,600) with a net value of RMB 30,000,000 (US $4,407,000). On November 3, 2016, Xinhua Cattle sold 2,000 adult cows to another 6 local farmers at a total price of RMB 24,000,000 (US $3,525,600) with a net residual value of RMB 14,909,375 (US $2,190,187). On December 1, 2016, Xinhua Cattle sold 130 adult cows to one local farmer at a total price of RMB 1,040,000 (US $152,776) with a net residual value of RMB 717,556 (US $105,409). On May 2, 2017, Xinhua Cattle sold 2,511 adult cows to 8 local farmers at a total price of RMB 23,266,900 (US$ 3,417,908) with a net residual value of RMB 15,489,125 (US$ 2,275,352). On November 4, 2016, Xinhua Cattle also sold 1,542 adult cows to an outside party at a total price of RMB 6,915,550 (US $1,015,894) with a net residual value of RMB 7,892,837 (US $1,159,458).

On November 2, 2016, Yulong Cattle purchased 5,000 adult cows at a total price of RMB 75,000,000 (US $10,882,500). On June 1, 2017, Yulong Cattle also purchased 200 adult cows at a total price of RMB 3,000,000 (US $442,500).

Yulong Cattle sold 1,919 female calves to outside parties at a total price of RMB 8,320,000 (US $1,222,208) in the year ended June 30, 2017. The net value of these female calves was approximately RMB 7,742,000 (US $1,137,000).

On November 1, 2016, Yulong Cattle sold 2,317 adult cows to 8 local farmers at a total price of RMB 19,033,000 (US $2,795,948) with a net value of RMB 18,650,864 (US $2,739,812). On November 2, 2016, Yulong Cattle sold 2,000 new purchased adult cows to another 8 local farmers at a total price of RMB 34,000,000 (US $4,994,600) with a net residual value of RMB 30,000,000 (US $4,407,000). Local farmers started to pay principle payment for the above disposal since the three months ended March 31, 2017. On November 2, 2016, Yulong Cattle sold 142 adult cows to an outside party at a total price of RMB 994,000 (US $146,019) with a net residual value of RMB 1,063,243(US $156,190). On May 26, 2017, Yulong Cattle sold 62 adult cows to an outside party at a total price of RMB 434,000 (63,755) with a net residual value of RMB 468,850 (US $68,874)

Depreciation expense for the years ended 30 June 2017 and 30 June 2016 was $4,779,286 and $2,878,298, respectively, all of which was included in the cost of goods sold in the consolidated statements of income and other comprehensive income.

6. NOTES RECEIVABLE

Notes receivable are related to the sales of cows (mature biological assets) to local farmers.

In May 2017, December 2016, November 2016, September 2011, August 2011 and June 2011, Xinhua Cattle sold 2,511, 130, 4,000, 3,787, 5,635, and 2,000 respectively of its cows to local farmers. 2,000 of the cows sold were purchased from outside parties for $4,407,000. The remaining cows sold were raised by Xinhua.

In November 2016, November 2014 and December 2014, Yulong sold 4,317, 3,714 and 2,955 cows respectively, to local farmers. 5,500 of the cows sold were purchased from outside parties for $8,996,000. The remaining cows sold were raised by Yulong.

The company had agreements with local farmers entered into June 2011, for their purchase of cows to be collected over five years, with a minimum payment of 20% of the sales price to be paid each year. The notes were recorded at their present value with a discount rate of
12%, which was commensurate with interest rates for notes with similar risk. The Company also entered into agreements with these local farmers for a 30% commission of their monthly milk sales generated by the cows sold in exchange for the Company's assistance in arranging for the sale of the milk. As of June 30, 2017, the farmers had fully repaid the principal payments.

Pursuant to agreements for the sale of cows signed in August 2011, September 2011, November 2014, and December 2014, the sales price will be collected in monthly instalments plus interest at 7% on the outstanding balance, over the remaining useful lives of the cows, which range from one to eight years. Local farmers are required to pay 30% of monthly milk sales generated from the cows purchased by the farmers. The 30% monthly payments are to be applied first to the monthly instalment of principal for the cows sold and the balance as commission income for the Company's assistance in arranging for the sale of the milk. While the 30% rate and the amount applied to monthly instalments for the purchase price of the cows remain the same, the amount of sales commission income will vary depending on total monthly milk sales and the progress of repayments towards the purchase price.

Pursuant to the agreements signed in November 2016, December 2016 and May 2017, the sales price will be collected in monthly instalments plus interest at 5% on the outstanding balance, over the remaining useful lives of the cows, which range from one to eight years. Local farmers are required to pay a 20% of monthly milk sales generated from the cows sold. The 20% monthly payments are to be applied first to the monthly instalment of principal for the cows sold and the balance as commission income for the Company's assistance in arranging for the sale of the milk. While the 20% rate and the amount applied to monthly instalments for the purchase price of the cows remain the same, the amount of sales commission income will vary depending on total monthly milk sales and the progress of repayments towards the purchase price.

During the years ended June 30, 2017 and 2016, the Company received principal and interest payments of $3,403,678 and $2,300,347, respectively. Commission income for the years ended June 30, 2017 and 2016, was $17,998,410 and $19,486,432, respectively, under these agreements.

The receivable related to the sales of cows is included in notes receivable in the consolidated balance sheets as of June 30, 2017 and 2016. The related commission receivable of $7,206,564 and $6,962,080 at June 30, 2017 and 2016, respectively, is included in accounts receivable in the consolidated balance sheets.

Notes receivable at 30 June 2017 and 30 June 2016 consists of the following:

	30 June 2017	30 June 2016
	$	$
Notes receivable	**23,855,122**	7,052,255
Less: discount for interest	**-**	(11,270)
	23,855,122	7,040,985
Less: current portion	**(4,661,775)**	(2,097,363)
Non-current portion	**19,193,347**	4,943,622

Future maturities of notes receivable as of 30 June 2017 are as follows:

Year Ending 30 June,	
	$
2018	4,662,000
2019	4,359,000
2020	3,676,000
2021	3,542,000
2022	2,826,000
Thereafter	4,790,000
	23,855,000

The Company considers these notes to be fully collectible and, therefore, did not provide an allowance for doubtful accounts. The Company will continue to review the notes receivable on a periodic basis and where there is doubt as to the collectability of individual balances, it will provide an allowance, if necessary.

7. LEASES

All land in China is government owned and cannot be sold to any individual or company. The Company obtained a "land use right" to use a track of land of 250,000 square meters at no cost through 1 December 2015. On 10 May 2013, the Company, however, entered into an agreement with the municipality of Qiqihaer to obtain the "land use right" to use this land from 1 May 2013, to 30 April 2063. The Company recorded the prepayment of RMB 37,500,000 (US $6,060,000) as a prepaid land lease. The prepaid lease is being amortized over the land use term of 50 years using the straight-line method. The remaining prepayment of $1,352,083 and $5,285,680 is included in the prepaid land lease in the consolidated balance sheets as of 30 June 2017, and 30 June 2016, respectively. The lease provides for renewal options.

On 9 October 2011, the Company entered into an operating lease, from 9 October 2011, to 8 October 2021, with the municipality of Heilongjiang to lease 16,666,750 square meters of land. The lease required the Company to prepay the ten-year rental of RMB 30,000,000 (US $4,686,000). The related prepayment of $1,880,625 and $2,370,092 is included in the prepaid land lease in the consolidated balance sheets as of 30 June 2017, and 30 June 2016, respectively. The lease provides for renewal options.

On 25 February 2013, the Company obtained another "land use right" to use 427,572 square meters of land, from 1 March 2013, to 28 February 2063. The Company recorded the prepayment of RMB 77,040,000 (US $12,450,000) as a prepaid land lease. The prepaid lease is being amortized over the land use term of 50 years using the straight-line method. The remaining prepayment of $10,378,572 and $10,820,258 is included in the prepaid land lease in the consolidated balance sheets as of 30 June 2017 and 30 June 2016, respectively. The lease provides for renewal options.

The Company leases an office at no cost from an unrelated third party. On 1 September 2010, the Company entered into an operating lease agreement expiring on 31 August 2015. The lease agreement does not provide for the payment of rent and it was not subsequently renewed.

On 14 May 2015, the Company obtained another "land use right" to use 283,335 square meters of land, from 14 May 2015, to 13 May 2045. In addition, the Company also leased all the constructions on the land which includes cowsheds at 42,100 square meters, an office building at 3,000 square meters and a flat building at 3,000 square meters. The lease period of all these constructions is the same as the land. The Company recorded the prepayment of RMB 111,887,500 (US $18,260,000) as a prepaid lease. The prepaid lease is being amortized over the lease term of 30 years using the straight-line method. The remaining prepayment of $15,311,494 and $16,182,280 is included in the prepaid lease in the consolidated balance sheets as of 30 June 2017 and 30 June 2016, respectively.

Rent expense charged to operations for the years ended 30 June 2017 and 30 June 2016 was $1,684,866 and $1,789,248, respectively.

8. EMPLOYMENT AGREEMENTS

The Company entered into Employment Agreements with its directors in August, 2015 for a period of one year with an automatically renewal for another one year unless specifically terminated in writing thirty days prior to the expiry of the intimal term. For the years ended 30 June 2017 and 30 June 2016, compensation under these agreements was $276,343 and $187,000, respectively.

At 30 June 2017, the future commitment under these agreements is approximate $283,000.

9. RELATED PARTY TRANSACTIONS

In July 2016 and April 2017, Xinhua Cattle contributed total net profit of $6,491,798 and $92,772, respectively, to Zhongxian Information and the 1% owned minority shareholder. The total represents the net profit of Xinhua Cattle for the years ended June 30, 2008 and 2007, January 2016 and February 2016.

In March 2015, Zhongxian Information and the Executive Chairman of the Company entered into a loan agreement pursuant to which Executive Chairman provides a loan facility to Zhongxian Information, which are non-interest bearing and due on demand. The maximum amount of the loan is RMB 50,000,000 (US $7,845,000). Any borrowings in excess of this amount may be negotiated between the parties. The loans outstanding were $1,918,314 and $1,672,707 as of 30 June 2017 and 30 June 2016, respectively.

In 2012, CMCI issued 9,000,000 shares of common stock, par value of $0.001 at $0.34 per share, totaled of RMB 19,428,571 (US $3,060,000) to the shareholder of Yulong on behalf Zhongxian Information for the acquisition of Yulong by Zhongxian Information. The loan was fully paid off by the Company to CMCI on 29 June 2016.

10. INCOME TAXES

The provision for income taxes consisted of the following for the year ended 30 June:

	2017	2016
	$	$
Current	-	-
Deferred	-	2,403,996
	-	2,403,996

The following table reconciles the effective income tax rates with the statutory rates for the years ended 30 June:

	2017	2016
Statutory rate	25.00%	25.00%
Other	(25.00%)	(18.67%)
Effective income tax rate	**0%**	6.33%

Deferred tax assets and liabilities are recognized for expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using enacted tax rates in effects for the year in which the differences are expected to reverse.

The tax laws of China permit the carry forward of net operating losses for a period of five years. Undistributed earnings from Xinhua Cattle and Yulong are not taxable until such earnings are actually distributed to Jiasheng Consulting. A deferred tax liability was provided for the tax to be paid when these earnings are distributed. On 16 September 2015 due to the termination of VIE structure (Note 1), Jiasheng Consulting would not be taxable in the future undistributed earnings from Xinhua Cattle and Yulong under the Enterprise Income Tax Law that Chinese resident enterprise is an exemption of dividend income received from another Chinese resident enterprise.

Deferred tax assets (liabilities) are comprised of the following:

	30 June 2017	30 June 2016
	$	$

Net operating loss carry forwards	**520,965**	497,542
Bargain purchase gain	**(1,430,399)**	(1,430,399)
Undistributed earnings of subsidiaries under PRC law upon VIE structure terminated	**(38,636,474)**	(39,446,504)
	(39,545,908)	(40,379,361)
Less valuation allowance	**(520,965)**	(497,542)
Net deferred tax (liabilities)	**(40,066,873)**	(40,876,903)

At 30 June 2017 and 30 June 2016, Zhongxian Information had unused operating loss carry-forwards of approximately $2,084,000 and $1,990,000, respectively, expiring in various years through 2020. The Company has established a valuation allowance of approximately $521,000 and $498,000 against the deferred tax asset related to the net operating loss carry forward at 30 June 2017, and 30 June 2016, due to the uncertainty of realizing the benefit.

The Company's tax filings are subject to examination by the tax authorities. The tax years from 2010 to 2016 remain open to examination by tax authorities in the PRC.

11. CONCENTRATION OF CREDIT RISK

Substantially most of the Company's bank accounts are located in The People's Republic of China and are not covered by protection similar to that provided by Financial Claims Scheme on funds held in Australia with the amount up to AUD $250,000 (approximately US $191,950) or Deposit Protection Board on funds held in Hong Kong with the amount up to HK dollar of $500,000 (approximately US $64,400).

The amount in excess of insured limits in Australia bank at 30 June 2016 was approximately AUD $3,680,000 (approximately US $2,826,000) and the amount in excess of insured limits in Hong Kong bank at 30 June 2016 was approximately HK dollar of $1,217,000 (approximately US $934,000)

In November 2015, the Company entered into milk sale agreement with another three customers and terminated the contracts with the original four customers. In February 2016, the Company entered into a new milk sale agreement with one customer after terminated the contract with the original customer.

Three customers accounted for approximately 98% and 72% of milk sales for the years ended June 30, 2017 and 2016, respectively. Three and four customers accounted for approximately 72% and 71% of accounts receivable at June 30, 2017 and 2016, respectively.

Ninety-two farmers and Seventy-six farmers accounted for the notes receivable at 30 June 2017, and 2016, respectively.

12. SUBSEQUENT EVENTS

On 29 June 2017, Xinhua Cattle signed with Longing Xiandai Farm to purchase 4,000 adult cows at approximately US$2,211 each for a total price of approximately US$8,844,000. Xinhua Cattle fully paid the purchase consideration on 3 July 2017 and all the cows were delivered at the same day.

ADDITIONAL INFORMATION

Issued Capital

As at the date of this report, the Company has 734,906,541 ordinary fully paid shares on issue, of which 734,906,541 are held by CHESS Depository Nominees Pty Ltd (**"CDN"**). CDN has issued 734,906,541 CHESS Depository Interests (CDIs) in relation to these shares. CDN holds the legal title to shares on behalf of holders of CDIs. Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI holders are to receive all direct economic benefits and other entitlements in relation to the underlying Shares. These include entitlements such as the right to receive the same dividends and entitlement to participate in rights issues, bonus issues and capital reductions. These rights exist only under the ASX Settlement Operating Rules, rather than under the Hong Kong Companies Ordinance.

CDIs are traded in a manner similar to shares of Australian companies listed on the ASX. CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

Top 20 Shareholders

As at the 20 September 2017, the 20 largest shareholders in the Company by number of shares/CDs were as follows:

Rank	Name	Shares/CDIs	% of Shares/CDIs
1	HOPE DIARY HOLDINGS LTD	390,000,000	53.07%
2	DINGXI (SHANGHAI) EQUITY INVESTMENT MANAGEMENT CO LTD	130,000,000	17.69%
3	ZHIYUAN INTERNATIONAL HOLDING CO LTD	65,000,000	8.84%
4	BEIJING RUIHUA FUTURE INVESTMENT MANAGEMENT CO LTD	19,500,000	2.65%
5	DONGHE GROUP LIMITED	10,000,000	1.36%
6	MRS XIAOBEI HUANG	7,600,000	1.03%
7	WAHOO HOLDINGS LIMITED	6,169,000	0.84%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,673,375	0.77%
9	SHENZHEN CITY RUIXIANG YANGGUANG ASSET MGMT CO LTD	5,170,000	0.70%
10	MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	4,243,422	0.58%
11	MR KASHIF ANSARI	3,768,481	0.51%
12	MS YEN-SHAN CHANG	2,500,000	0.34%
13	MR BIN LI	2,192,013	0.30%
14	HEFEI SHENZHI FINANCIAL INFORMATION SERVICES CO LTD	2,000,000	0.27%
15	MS PEILING WANG	1,998,000	0.27%
16	MS CHONGLIAN SUN	1,902,257	0.26%
17	MR MOHAN SINGH NANDHA	1,500,000	0.20%
18	MR XINXIN ZHANG	1,310,808	0.18%
19	MS INDRAWATY MEI HUA ONG	1,300,000	0.18%
20	MRS ANJANA NANDHA	1,200,000	0.16%
Top 20 holders of shares/CDIs		**663,027,365**	**90.21%**
Balance of register		**71,954,749**	**9.79%**

Distribution of shareholders

As at the 21 September 2017, there were 1,267 shareholders/CDI holders as per the table below.

Range	Total Holders	Units	% of issued capital
1-1,000	24	4,915	0.001
1,001-5,000	208	639,047	0.121
5,001-10,000	198	1,729,065	0.235
10,001-100,000	670	24,656,857	3.355
Over 100,001	167	707,876,657	96.322
Totals	**1,267**	**734,906,541**	**100.000**

As at 27 September 2016, there were 191 unmarketable parcels, representing 386,985 shares.

Substantial shareholders

As at the date of this report, the Company has not received any notices of substantial holdings by any parties. In general, under the Corporations Act, a party who holds a relevant interest in shares/CDIs of more than 5% of the Company's issued share capital is a substantial shareholder.

Voting rights

If holders of CDIs wish to attend and vote at the Company's general meetings, they will be able to do so. Under the Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant Hong Kong law at the time of the meeting prevents CDI holders from attending those meetings. In order to vote at such meetings, CDI holders have the following options:

- instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or
- informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or
- converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See below for further information regarding the conversion process.

As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken. Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.

These rights exist only under the ASX Settlement Operating Rules, rather than under the Hong Kong Companies Ordinance. Since CDN is the member of the Company but the holders of CDIs are not members themselves as they hold a beneficial interest in the applicable shares, the holders of CDIs do not have any directly enforceable rights under the Company Articles of Association.

Escrowed securities

The following shareholders of the Company ("**Security Holders**") have agreed to enter into voluntary escrow agreements to restrict their ability to deal in the following escrow securities ("**Escrow Securities**"):

Shareholder	Number of CDIs	Initial Escrow Period	Sell-down restriction period
Hope Diary Holdings Ltd	390,000,000	24 months	Nil
Dingxi (Shanghai) Equity Investment Management Co., Limited	130,000,000	12 months	12 months
Zhiyuan International Holding Co., Limited	65,000,000	12 months	12 months
Total	**585,000,000**		

After the Initial Escrow Period has expired, the following shareholders of the Company will be subject to a sell-down restriction period of 12 months in relation to their shares:

(a) Dingxi (Shanghai) Equity Investment Management Co., Limited;

(b) Zhiyuan International Holding Co., Limited,

(together, the **Sell-Down Shareholders**).

During the sell-down restriction period of 12 months, the Sell-Down Shareholders may only dispose of a maximum of 1/12 of their shareholdings in any given month. In this regard, we note that no Security Holder will be subject to an escrow restriction in excess of 24 months.

The Escrow Period for the Escrow Securities commenced on 4 April 2016 and expires as indicated in the table above. The Escrow Securities may be released earlier than this on:

(a) the acceptance of a bona fide takeover bid made under Chapter 6 of the Corporations Act in respect of a proportion or all of the shares on issue in the Company, provided the holders of at least half of the shares on issue in the Company have accepted the offer made under that bona fide takeover bid. The transfer or cancellation of shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act is also an exception. The Escrow Securities must be returned to escrow if the bid does not become unconditional or the scheme of arrangement does not take effect; or

(b) the shares ceasing to be quoted on the ASX (including as a result of a suspension which lasts for more than five consecutive business days, but not as a result of the Company obtaining a trading halt).

On market buy-backs

There is no current on market buy-back.

Limitations on the acquisition of securities

The following information is provided as required by the ASX on an annual basis to disclose the limitations on the acquisition of securities imposed under Hong Kong law and the Company's Articles of Association but should not be viewed as an exhaustive statement of the relevant Hong Kong laws.

Takeovers

The Hong Kong Takeovers Code regulates takeovers and mergers in Hong Kong and generally applies to public companies in Hong Kong. It does not have the force of law, but sets outs standards expected of participants in the securities markets in Hong Kong.

The Hong Kong Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

- acquire, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company; or
- hold not less than 30% but not more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or those persons collectively within a 12 months period,

then a general offer must be made to all other shareholders of the company.

Compulsory acquisitions

Division 4 of Part 13 of the Hong Kong Companies Ordinance sets out the procedures in respect of a compulsory acquisition after a takeover offer.

If a purchaser makes an offer to acquire all the shares not held by it in a Hong Kong incorporated company and has acquired not less than 90 percent of the shares, for which the offer is made, within the applicable time period, the purchaser may invoke the procedures set out in the Hong Kong Companies Ordinance in order to acquire compulsorily the remaining shares.

Substantial holder notices

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively “Corporate Insiders”) of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation.

Section 309(2) of the Hong Kong Securities and Futures Ordinance gives the SFC the power to exempt any listed corporation from all or any of the provisions of Part XV of the Hong Kong Securities and Futures Ordinance, subject to such conditions as it thinks fit. A listed corporation may apply in writing to the SFC for an exemption under Part XV of the Hong Kong Securities and Futures Ordinance and the SFC will take into account of the following matters in deciding whether to grant a full exemption for corporations with a listing in any other jurisdiction:

- the volume of the applicant corporation’s worldwide share turnover or the anticipated turnover that takes place on any other stock exchange or securities market;
- the extent to which an applicant corporation’s Corporate Insiders are subject to statutory disclosure requirements in any other jurisdiction that are comparable to those existing in Hong Kong; and

the reasons for the applicant corporation listing in Hong Kong including whether it intends to raise capital or not.

CORPORATE DIRECTORY

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ARBN: 607 996 449
Hong Kong Company Registration Number: 2190508

ASX Code: **CDC**

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