



19 December 2017

Mr Justyn Stedwell
Company Secretary
China Dairy Corporation Limited

By email: justyn@stedwell.com.au

Dear Mr Stedwell,

China Dairy Corporation Limited (“CDC”)

ASX Limited (“ASX”) refers to its query letter dated 11 December 2017 and to CDC’s response dated 15 December 2017.

ASX is not satisfied in a number of respects with CDC’s response and has further queries that need to be answered before ASX can consider whether it is appropriate to reinstate CDC’s securities to trading.

Accordingly, ASX asks CDC to respond separately to each of the following questions and requests for information:

1. We note the statement in CDC’s response that Mr Xiaoran “John” Zhang was appointed by CDC “*as a consultant and corporate advisor to provide financial management services and to facilitate the communications between Australian service providers and company officeholders and China based directors.*” Please provide ASX with a copy of the consultancy agreement between CDC and Mr Zhang and, if it is in Chinese, an English language translation of the agreement (this is not for release to the market).
2. We note that the minutes of the meeting of directors held on 29 September 2017 and 4 April 2017 show Mr Zhang as attending “by invitation”, whereas the minutes of the meeting of directors held on 1 August 2017 list Mr Zhang as an “apology”, implying an entitlement on his part to attend board meetings. Does Mr Zhang generally attend meetings of CDC’s board?
3. ASX finds the statement in CDC’s response that the email sent to the Company’s lawyers at 2.13pm on 23 November 2017 was sent by Mr Zhang’s personal assistant while he was travelling and without his knowledge, at best, implausible. To support this statement:
 - a. Please provide a copy of Mr Zhang’s travel itinerary to confirm that he was indeed traveling at that time on that date.
 - b. Please explain how Mr Zhang’s personal assistant became aware on 23 November that Mr Batten had sought to instruct the company’s lawyers and therefore felt the need to send the email on Mr Zhang’s behalf advising the lawyers not to act on his instructions. For example, is there an email from Mr Batten or the company’s lawyers to Mr Zhang or his personal assistant in this regard? If so, please provide a copy.
 - c. Please explain when Mr Zhang’s personal assistant brought to his attention the fact that she had sent the email in question on his behalf. If it was not as soon as reasonably practicable after he

had completed his travels, please comment on the propriety of Mr Zhang allowing his personal assistant to send significant emails such as this on his behalf without her reporting to him as soon as reasonably practicable the fact that she had done this.

- d. Please explain what steps Mr Zhang took when he became aware of the erroneous email his personal assistant had sent on his behalf to correct that email.
4. CDC's response did not deal adequately with ASX's concerns regarding the Dividend Decision. In this regard, ASX notes that the minutes of the meeting of directors held on 1 August 2017 recorded the fact that the company intended to continue paying future dividends, with the payout ratio consistent with past dividends. CDC's response states that *"The decision not to pay dividend [sic] was approved by four of the five directors of the Company and the statement in the Appendix 4E was authorised by the majority of the Board of Directors."* There are no board minutes or circular resolutions to suggest that the decision to change CDC's dividend policy was formally considered by the full board. Accordingly, please provide the following additional information:
- a. Which directors supported the Dividend Decision and how did they evidence their support? If it was done by a document or email, please provide a copy of the same.
 - b. Who prepared the Appendix 4E with the Dividend Decision?
 - c. Which directors approved the Appendix 4E and how did they evidence their support? If it was done by a document or email, please provide a copy of the same.
 - d. Please comment on the propriety under Hong Kong law of a minuted decision of the board being overturned without a formal board meeting to do so.
5. CDC's response appears to imply that Mr Zhang can operate the Company's bank account as sole signatory, provided any payments are pre-authorised by two directors of the Company. The justification given for this is that Mr Zhang:

"is based in Southern part of China, was, and still is considered by the Company necessary to facilitate any payment of Company's expenses out of the Company's bank account in Hong Kong, given the China based directors reside in northern China and may not be readily available to travel to Hong Kong."

This response raises the following further queries from ASX:

- a. ASX understands that Mr Zhang is the General Manager and President of Beijing Ruihua Future Investment Management Co., Ltd., which according to Bloomberg has its office in the Dongcheng district in Beijing. ASX understands this is to be in northern China rather than southern China. Please comment.
- b. Please explain why it is necessary for cheques on CDC's bank account to be signed in Hong Kong. Surely they can be signed anywhere CDC chooses to maintain a cheque book for the account.
- c. Having Mr Zhang as a sole signatory on CDC's bank account strikes ASX as a curious arrangement when he is engaged as a consultant and is not an officer of the company. Please explain why the board of CDC considers his role as signatory "necessary to facilitate any payment of the Company's expenses".
- d. Having Mr Zhang as a sole signatory on CDC's bank account also raises concerns about the internal governance and control framework CDC has in place. Please explain what internal

processes the board of CDC has implemented to monitor that Mr Zhang is operating CDC's bank account appropriately and when those processes were put in place.

6. Please confirm that CDC's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CDC with delegated authority from the board to respond to ASX on disclosure matters.

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and in any event before **9:30 a.m. AEDT on Friday, 12 January 2018**.

As we indicated in ASX's original query letter, ASX regards these matters **most seriously**. If ASX does not receive a satisfactory response from CDC by the time and date above, it reserves the right to terminate CDC's admission to the official list pursuant to Listing Rule 17.12.

ASX also reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

When and where to send your response

Your response should be sent to me by e-mail at rupa.kapadia@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before and if it is to be published on the ASX Market Announcements Platform.

Notice to directors

Please ensure that a copy of this letter is provided to all of the directors of CDC, with a translation into Chinese for those directors who do not understand English.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[Sent electronically without signature]

Rupa Kapadia

Adviser, Listings Compliance

P: 0292270932

E: rupa.kapadia@asx.com.au



China Dairy Corporation Limited(Company or CDC)

ARBN: 607 996 449

Hong Kong Company Registration Number: 2190508

10 January 2018

Rupa Kapadia

Adviser, Listings Compliance

ASX Compliance Pty Ltd

By email to: rupa.kapadia@asx.com.au

Dear Rupa

China Dairy Corporation Limited – Response to ASX Query

China Dairy Corporation Limited ('CDC' or 'Company') refers to your letter dated 19 December 2017.

The Company now responds to your queries in the same order as raised:

1. Please find enclosed a copy of the fully executed consultancy agreement between Heilongjiang Zhongxian Information Co Ltd, a Chinese subsidiary of the Company, and Beijing Ruihua Future Investment Management Co., Ltd (a company in which Mr Zhang is a director) (**Beijing Ruihua**) dated 6 May 2016 and a copy of its English translation (**Consultancy Agreement**).
2. Mr Zhang has no right to attend the board meeting of the Company. However, the Board of the Company has from time to time invited Mr Zhang to attend the Board meetings, as an observer.

Mr Zhang only attended Board meetings on an invitation basis as an "observer".

3. We confirm the advice received by the Company that Mr Zhang was, in fact, travelling on 23 November 2017 and the relevant email was sent by his personal assistant. In relation to the questions raised in your letter:

- (a) Please find enclosed a copy of Mr Zhang's travel itinerary on 23 November 2017.
- (b) The Company has been advised that Mr Zhang's personal assistant became aware of Mr Batten instructing the lawyers when she was copied on the group email from the Company's lawyers on 22 November 2017 responding to the first email sent by Mr Batten directly to the Company's lawyers without copying any of the members of the Board. Please find enclosed a copy of such email.

Mr Zhang's assistant thought that Mr Batten had retired as a director of the Company since 10 November 2017, and she was concerned that any further communications between Mr Batten and the Company's lawyers might increase the Company's legal costs. Consequently, Mr Zhang's decided to send the 23 November email to notify the Company's lawyers of Mr Batten's retirement.

- (c) Mr Zhang's personal assistant considered her email to the Company's lawyers on 23 November 2017 as a general email relating to invoicing and payment of legal fees, and therefore did not notify Mr Zhang of her email immediately.
- (d) The erroneous email was corrected by the Company's lawyers in their email response on 7 December 2017, and therefore, no further action was required.

4. In relation to the decision not to pay a dividend (**No Dividend Decision**), we confirm that four of the five directors of the Company supported that decision. The statement made in the 4E was authorized by such directors.

- (a) Mr Enjia Liu, M Youliang Wang, Mr Lidong Jiang and Mr Andrew Stoner supported the No Dividend Decision. A copy of the email correspondence confirming this is attached.

- (b) The Appendix 4E was initially prepared by the Company's accountant and reviewed by the Company's auditor and it was further reviewed and amended by the Company's independent director, Mr Andrew Stoner, prior to submitting it to the Company's directors for approval. The final Appendix 4E was reviewed and approved by the Company's directors prior to lodgment with ASX. Mr Zhang, for and on behalf of Beijing Ruihua, was instructed by the Company to assist in coordinating communications between the parties involved, and had no other involvement in this matter.
- (c) Mr Enjia Liu, M Youliang Wang, Mr Lidong Jiang and Mr Andrew Stoner reviewed the Appendix 4E and confirmed their approval for the document by email (please refer to enclosed email correspondence);
- (d) The Company notes that there was not a valid board resolution that was subsequently overturned without a formal board meeting.

Mr Batten and Mr Wang were the only directors present at the Board meeting on 1 August 2017. Draft Board meeting minutes were circulated by Mr Batten but not approved by Mr Wang. The Board meeting minutes were subsequently signed by Mr Batten without approval and confirmation from Mr Wang of the content. Therefore, these minutes signed by Mr Batten were considered invalid as these were not approved by both directors present at the meeting.

The Appendix 4E and the No Dividend Decision was approved by 4 of the 5 directors of the Company, and this forms the Company's formal and definitive decision on this matter.

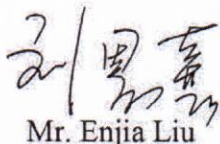
5. In relation to the further questions concerning the Company's bank account arrangements, the Company responds as follows:

- (a) Beijing Ruihua has its registered office in Beijing which is in Northern China. However, Mr Zhang is based principally in Guangzhou, which is located in Southern China.

- (b) Due to his closer proximity to Hong Kong, Mr Zhang is in a position to attend the Hong Kong branch more readily than the directors based in Northern China. In Hong Kong, the function of a bank account signatory includes signing any other documents related to maintenance and administration of the bank account in Hong Kong. Such documents are generally required to be signed on site at the Hong Kong branch.
- (c) At the time when the bank account was opened, it was considered more convenient for the Company's bank account in Hong Kong to be administered by Mr Zhang, for the same reasons set out in paragraph (b). However, Mr. Zhang is only the authorized administrator of the bank account and Mr. Zhang shall not conduct any operation on the Company's account without authorization from the directors of the Company.
- (d) The Company confirms that at the same time as Mr. Zhang is appointed as the authorized administrator of the account, the Company has established internal control process for administration and maintenance of its Hong Kong bank account. The process is that any transactions on the account to be administered by Mr Zhang must first be approved by two of the Company's directors.

In any event, in order to strengthen its internal process and management, the Company has commenced steps to add the Chairman and CEO of the Company as joint signatories to the bank account.

- 6. The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
- 7. The Company confirms that all directors of the Company have approved the responses set out in the letter.



Mr. Enjia Liu

Chairman

From: Rupa Kapadia
Sent: Tuesday, 16 January 2018 4:10 PM
To: Justyn Stedwell
Subject: RE: ASX query response – CDC

Hi Justyn,

Thanks for sending through CDC's response dated 10 January 2018 o ASX's query letter dated 19 December 2017.

Unfortunately, the response does not address all of ASX's queries and raises some further issues that need to be addressed in the response.

ASX requires a revised version of the response that addresses the following issues for release to the market:

1. ASX notes the statements made in paragraph 3 of the Company's response regarding the email ("Errant Email") allegedly sent by Mr Zhang's personal assistant, in his name but without his knowledge or consent, on 23 November advising HWLE, the Company's lawyers, not to accept any instructions from Mr Batten because he had retired as a director. ASX further notes:
 - The email communication from HWLE to Mr Zhang and others that allegedly caused Mr Zhang's personal assistant to send the Errant Email was sent at 18.48pm on the previous evening of 22 November. It is not clear whether this is Sydney time or China east coast time but, either way, Mr Zhang received it well before the Errant Email was sent at 2:13pm the following day.
 - The document evidencing Mr Zhang's travel arrangements on 23 November was an e-ticket receipt for a 10.30am flight from Beijing to Guangzhou, which we understand takes 3 to 3½ hours. Mr Zhang would therefore have been available prior to 10am and after 2pm on 23 November for his secretary to communicate with him by telephone about the email received from HWLE the previous evening before she sent the Errant Email.
 - The email from HWLE explaining that Mr Batten had not yet retired, which the Company says meant that there was no longer a need for Mr Zhang to correct the Errant Email, was not sent until 7 December 2017.

Please specifically state in the response whether the Company accepts Mr Zhang's claim that he had no knowledge of, and no communications with his personal assistant regarding, the Errant Email between 22 November and 7 December 2017?

If it does, ASX requires a specific answer to question 3(c) of its 19 December letter:

Please explain when Mr Zhang's personal assistant brought to his attention the fact that she had sent the email in question on his behalf. If it was not as soon as reasonably practicable after he had completed his travels, ***please comment on the propriety of Mr Zhang allowing his personal assistant to send significant emails such as this on his behalf without her reporting to him as soon as reasonably practicable the fact that she had done this.***

2. The copy provided by the Company of the email from HWLE to Mr Zhang and others dated 22 November (attachment 4) included a number of other emails in the chain of communication, including the header of email from Mr Batten to Ashley Holland and Grant Hummel of HWLE dated 13 November 2017 with the subject "Re: Letter from Shareholder" and with the text: "Please see my answers to your questions below in RED". The balance of this latter email has been excluded from the copy.

So that we can see the full context for the Errant Email, please provide a full copy of the email from Mr Batten to Ashley Holland and Grant Hummel of HWLE dated 13 November 2017, including both the questions from HWLE and Mr Batten's responses in red.

3. In paragraph 4 of its response, the Company has stated that four of the five directors of the Company supported the "no dividend" statement in the Company's appendix 4E. To verify that statement, the Company has provided copies of email communications between Mr Zhang and those four directors confirming their support. Notably, no email communications on this matter between Mr Zhang and Mr Batten, the fifth director, were supplied. Please advise whether Mr Zhang sought approval for the no dividend statement from Mr Batten. If he did, please provide a copy of the relevant communications. If he did not, please explain why Mr Batten was excluded from the consideration of this matter, given he was at the time a director of the Company.
4. In paragraph 4(d) of its response, the Company has claimed that the board meeting on 1 August 2017 was only attended by Mr Batten and Mr Wang and that the minutes for the meeting were signed by Mr Batten without approval and confirmation from Mr Wang of the content and they therefore should be considered invalid. Yet, when we asked in our letter dated 11 December 2017 for a copy of the minutes of each board meeting held since 1 July 2016, a copy of the minutes for the 1 August 2017 signed by Mr Batten was included in the package provided, without any comment or suggestion that the minutes were not valid. Please explain this discrepancy.
5. In paragraph 5(d) of its response, the Company claims that "in order to strengthen its internal process and management, the Company has commenced steps to add the Chairman and CEO of the Company as joint signatories to the bank account". Please explain in more detail how the revised signatory arrangements will work. In particular, will Mr Zhang still be able to sign cheques on behalf of the Company by himself without a countersignature from another officer of the Company?

Pursuant to listing rule 18.7 and 18.7A, ASX requires a revised response suitable for release to the market to its 19 December 2017 query letter, addressing the issues above by the close of trading on Friday, 19 January 2018.

If you have any questions, please let me know.

Thanks,

Rupa Kapadia



CHINA DAIRY CORPORATION LIMITED

23 January 2018

Rupa Kapadia
Adviser, Listings Compliance
ASX Compliance Pty Ltd

By email to: rupa.kapadia@asx.com.au

Dear Rupa

China Dairy Corporation Limited – Response to ASX Query

China Dairy Corporation Limited ('CDC' or 'Company') refers to your email dated 16 January 2018 in relation to the above matter.

The Company now responds to your queries in the same order as raised:

1. The Company accepts Mr Zhang's statement that he had no knowledge of the Errant Email between 22 November 2017 and 7 December 2017 and accepts his advice that he had no communications with his personal assistant regarding the Errant Email between 22 November and 7 December 2017.

It is noted that the Mr Zhang did not authorize his personal assistant to send the Errant Email on his behalf. The Company is instructed that Mr Zhang's personal assistant is not typically authorized to send significant emails such as the Errant Email on his behalf, without his consent. At the time, the Errant Email was considered by Mr Zhang's personal assistance as merely an administrative email relating to the Company's liability for legal fees.

Given that she considered it an administrative email only, Mr Zhang's personal assistant did not consider it necessary to notify Mr Zhang of the fact that the Errant Email had been sent or communicate with him about the matter. Accordingly, Mr Zhang had no knowledge of the matter until 7 December 2017.

Mr Zhang only became aware of the fact that the Errant Email had been sent upon receiving the explanatory email from HWLE on 7 December 2017. The Company understands that Mr Zhang has since reprimanded his personal assistant regarding this oversight.

2. Please find attached a full copy of the email from Mr Batten to Ashley Holland and Grant Hummel of HWLE dated 13 November 2017.

CHINA DAIRY CORPORATION LIMITED
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T: 03 9191 0135



3. The Company understood the ASX to only require the communications between those directors who had supported the “no dividend” statement.

Please find attached a copy of the email from Mr Zhang to Mr Batten regarding this matter dated 28 August 2017.

4. The Company’s understanding of ASX’s letter on 11 December 2017 was that ASX required the Company to provide all board minutes since 1 July 2016. Accordingly, all of the board minutes from 1 July 2016 were submitted to ASX in December 2017.

Following the Board meeting on 1 August 2017, Mr Batten circulated the draft minutes for that Board meeting (**1 August 2017 Board Minutes**). The draft Board minutes had never been approved or signed by the other director present at the board meeting.

However, when the Company’s existing local agent requested Mr Batten (who maintained copies of the Company’s past board minutes during his period of tenure as director and local agent) to provide copies of all past board minutes, a copy of the 1 August 2017 Board Minutes, signed by Mr Batten (without approval from the other director present), were included in the package of past board minutes provided by Mr Batten.

The Company simply enclosed all copies of the board minutes provided by Mr Batten in response to ASX’s request for the copies of the board minutes since 1 July 2016.

The Company didn’t understand the ASX to require any further information regarding the 1 August 2017 Board Minutes, signed by Mr Batten (without approval from the other director present).

5. Upon implementation of the revised signatory arrangements, all bank documents will need to be co-signed by the Chairman of the Company, the CEO of the Company and Mr Zhang, in order to be effective. Mr Zhang will not be able to sign cheques on behalf of the Company by himself without a countersignature from another officer of the Company.

The Company confirms that all directors of the Company have approved the responses set out in the letter.

If you have any further queries then please contact the Company.

Mr. Enjia Liu
Chairman

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ARBN: 607 996 449

Hong Kong Company Registration Number: 2190508

T: 03 9191 0135