Results for Announcement to the Market

China Dairy Corporation Limited
ARBN 607 996 449

APPENDIX 4D
HALF YEAR REPORT
for the six months ended 31 December 2017

ASX ANNOUNCEMENT

28 February 2018

About this Appendix 4D Report

The Directors of China Dairy Corporation Limited (**"CDC"** or the **"Company"**) and its controlled entities (the **"Group"**) hereby present the Company's first Appendix 4D – Half Year Report.

China Modern Agricultural Information Inc. (**"CMCI"**) is listed on OTC Markets Group (**"OTC"**) in the US and through its wholly owned subsidiary, Hope Diary Holdings Ltd., is the majority shareholder in CDC.

CMCI's results have been adjusted to represent the financial position of CDC for the previous corresponding period from 1 July 2016 to 31 December 2016. The financial information presented has been prepared under US GAAP and has been reviewed by Wei, Wei & Co., LLP, the Company's independent registered public accounting firm.

About China Dairy Corporation Limited

China Dairy Corporation Limited (ASX: CDC) is a company primarily engaged in the production and wholesale of raw milk and the rearing, breeding and sale of dairy cows in Heilongjiang province, China.

CDC generates revenue through two primary business models;

- the sale of raw milk from cows that are owned by the company (**"company-owned cows"**); and
- milk sale commissions on the sale of raw milk from cows the company has sold to farmers (**"sales commission cows"**).

As at 31 December 2017, CDC owned 26,421 cows and partnered with farmers with an additional 21,265 cows from which CDC makes a sales commission on the milk sold.

Details of the reporting period

Current period: 1 July 2017 to 31 December 2017

Previous corresponding period: 1 July 2016 to 31 December 2016

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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 half year ended 31 December 2017.

Directors

The Directors at any time during the reporting period and up to the date of this report are:

Mr Enjia Liu	Executive Chairman
Mr Youliang Wang	CEO, Executive Director
The Hon. Andrew John Stoner	Deputy Chairman, Independent Non-Executive Director
Mr David Paul Batten (resigned 22 December 2017)	Independent Non-Executive Director and Local Agent (Former)
Mr Lidong Jiang (resigned 22 December 2017)	Independent Non-Executive Director (Former)
Ms Caroline Moi Fah Hong (appointed 22 December 2017)	Independent Non-Executive Director

Principal activities

The Company is primarily engaged in the production and wholesale of raw milk and the rearing, breeding and sale of dairy cows in Heilongjiang province, China.

The Company generates revenue through two primary business models;

- the sale of raw milk from cows that are owned by the company (**"company-owned cows"**); and
- milk sale commissions on the sale of raw milk from cows the company has sold to farmers (**"sales commission cows"**).

Review of operations

The table below presents key financial data for the half year ended 31 December 2017 (**"1H FY18"**) and the half year ended 31 December 2016 (**"1H FY17"**).

	1H FY18 (in $US)	1H FY17 (in US$)	% Change
Revenue from milk sales	58,810,640	51,283,205	*14.7%*
Revenue from sales commissions	8,274,518	8,333,329	*(0.7%)*
Total Revenue	**67,085,158**	**59,616,534**	***12.5%***
Cost of goods sold	(47,826,902)	(37,560,775)	*27.3%*

	1H FY18 (in $US)	1H FY17 (in US$)	% Change
Gross Profit	**19,258,256**	**22,055,759**	***(12.7%)***
Gross Profit Margin	*28.7%*	*37.0%*	*(8.3%)*
Net income attributable to common shareholders (NPAT)	**17,095,160**	**21,154,745**	***(19.2%)***
NPAT Margin	*25.5%*	*35.5%*	*(10%)*

Revenues

Our revenue was primarily generated from sales of fresh milk and commissions on fresh milk sales by farmers to whom we sold cows for the six months ended 31 December 2017 and 2016. We had total revenues of $67,085,158 for the six months ended 31 December 2017, an increase of $7,468,624 or 12.5%, compared to $59,616,534 for the six months ended 31 December 2016. There are two main reasons caused such increase: 1) total average milk cows for milk sales increased from 20,327 to 22,631 and; 2) foreign currency exchange rate increased 2% and resulted in more revenue in U.S dollars. Although total average milk cows for commission income also increased significantly, commission rate on sales decreased materially.

The following table shows a breakdown of revenue from natural milk sales and sales commission, respectively:

	1H FY18 (in $US)	1H FY17 (in US$)	% Change
Sales of natural milk	58,810,640	51,283,205	*14.7%*
Sales commissions	8,274,518	8,333,329	*(0.7%)*
Total Revenue	**67,085,158**	**59,616,534**	***12.5%***

For the six months ended 31 December 2017, our revenue generated from natural milk sales was $58,810,640 which represented an increase of $7,527,435 or 14.7% compared to $51,283,205 for the six months ended 31 December 2016. The increase in the natural milk sales was primarily due to the increased number of milk cows compared to the same period of prior year.

The following table sets forth information regarding the number of milk cows and the revenue per cow:

	1H FY18	1H FY17	% Change
Sales of natural milk	$58,810,640	$51,283,205	*14.7%*
Average number of milk cows	22,631	20,327	*11.3%*
Revenue from per milk cow	**$2,599**	**$2,523**	***3.0%***

The revenue per milk cow increased to $2,599 for the six months ended 31 December 2017 from $2,523 for the six months ended 31 December 2016, an increase of $76 or 3.0%. After seeing above table, we can easily find the primary reason for the increase in sales of milk which is total average milk cows were increased from 20,327 to 22,631 which represented an increase by 11% and foreign currency exchange rate increased 2% and resulted in more revenue in U.S dollars. In addition, average younger age of the milk cows slightly increased the production capacity of each milk cow.

The sales commissions from local farmers decreased by $58,811 or 0.7% to $8,274,518 for the six months ended 31 December 2017 from $8,333,329 for the six months ended 31 December 2016. The average quantity of milk cows we now earn commission on increased by 35% or 5,757, to 21,981 for the six months ended 31 December 2017 from 16,224 for the six months ended 31 December 2016 due to the new disposal of total 10,958 adult cows in May 2017, November 2016 and December 2016. However, per the new contract term, the sales commission was only deducted from 20% milk sales less principle payment but not 30% milk sales like before and the original pay rate of 30% reduced to 20% as well since 1 September 2017. In conclusion, the sales commission decreased by 0.7% only for the six months ended 31 December 2017 by comparing with prior period.

Gross profit

Our cost of goods sold consists of feeding food, feeding expenses and other direct production overhead which includes labor costs, depreciation, lease, water & electricity, etc. Because we started to use the two new farms in Shuangcheng district and Xiangfang District in Harbin, more direct production overhead was allocated to our costs of goods sold. In addition, the direct feeding expenses and food costs paid to local farmers increased from $256 per cow before September 2017 to $307 per cow since September 2017. As a result, we saw a decrease in our margins compared with the same period in 2016.

	1H FY18	1H FY17	% Change
Cost of goods sold	$47,826,902	$37,560,775	*27.3%*
Average number of milk cows	22,631	20,327	*11.3%*
Cost per milk cow	**$2,113**	**$1,848**	***14.3%***

The cost per milk cow increased to $2,113 for the six months ended 31 December 2017 which represented an increase of $266 or 14.3% compared to $1,848 for the six months ended 31 December 2016. As we explained above, the direct feeding expenses and food costs paid to local farmers increased from $256 per cow before September 2017 to $307 per cow since September 2017. The average number of milk cows also increased by 2,304 or 11% from 20,327 for the six months ended 31 December 2016 to 22,631 for the six months ended 31 December 2017. These two reasons primarily caused the increase in cost of goods sold. Firstly, feed concentrate and fodder were the leading contributor of direct feeding expense growth. Secondly, labor cost was clearly the input with the greatest improvement in productivity over time, and the growth in labor costs impacted by the rapid wage growth in Chinese dairy industry.

Gross profit margin

Our gross profit margin was 28.7% for the six months ended 31 December 2017 which decreased by 8.3% from 37.0% for the six months ended 31 December 2016. The main reason for such a decrease was primarily due to the increase in feeding and food cost, which is in line with the cost growth of the china feed industry.

Operating expenses

Our operating expenses increased to $3,385,898 for the six months ended 31 December 2017 from $2,760,652 for the six months ended 31 December 2016, an increase of $625,246 or 22.6%. Our operating expenses primarily consist of human resource costs, depreciation, professional fees associated with filings required by the securities laws of the United States, consulting fees for a Chinese financial advisory company and VAT surcharges, etc. The primary reason for the increase in our operating expenses because of the increase in R&D expenses due to 500 adult cows fed by Yulong was used for R&D purpose since September 2017 and the reimbursement to farmers because the omasum disease had an impact on the 4,000 milk cows we disposed to the 13 local farmers. In addition, G&A expenses also increased primarily due to the increase in professional fees incurred by our 53.07% owned Australian subsidiary.

Production metrics

Average milk yield per milkable cow	1H FY18	1H FY17	% Change
Milkable company-owned cows	4.5 tonnes	4.5 tonnes	-
Sales commission cows	4.4 tonnes	4.2 tonnes	4.76%

Dividend Payment Information

Interim dividend

There is no interim dividend announced for the half year ended 31 December 2017. CDC has reported a reduced net profit for the first half of the current financial year, given the continued focus on the research and development activities and debt reduction, the board has determined not to pay a dividend for the first half of FY2018. The Board will reassess dividend payment decision again when announcing future results.

Net tangible assets per CHESS Depository Interest

	31 December 2017 (AUD cents[1])	30 June 2017 (AUD cents)
Net tangible assets per CHESS Depository Interest	19.4	17.8

[1] The net tangible assets have been converted from US$ to A$ using the spot exchange rate at 31 December 2017 of 1 US$ = A$1.2809.

Details of entities over which control has been gained or lost during the period

Not applicable.

Details of associate and joint venture entities

Not applicable.

Other significant information

There are no other significant events or information not otherwise disclosed in these reports needed by an investor to make an informed assessment of the entity's financial performance and financial position.

Accounting standards

US GAAP have been used in compiling the information in this Appendix 4D.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on the following page.

On behalf of the directors

Enjia Liu
Executive Chairman

Wei Wei & Co., LLP
Certified Public Accountants

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Flushing, NY 11354
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• Beijing Office
11/F North Tower
Beijing Kerry Centre
1 Guanghua Road
Chayoang District
Beijing 100020, PRC
Tel. (86 10) 65997923
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February 26, 2018

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

Consolidated Profit or Loss and Other Comprehensive Income presented in US$ (unaudited)	Half year ended 31 December 2017	Half year ended 31 December 2016
Revenues		
Milk sales	58,810,640	51,283,205
Sales commissions	8,274,518	8,333,329
Total revenues	**67,085,158**	**59,616,534**
Cost of goods sold	(47,826,902)	(37,560,775)
Gross profit	**19,258,256**	**22,055,759**
Operating expenses		
Selling and marketing	(1,735,965)	(1,023,389)
General and administrative	(1,649,933)	(1,737,263)
Total operating expenses	**(3,385,898)**	**(2,760,652)**
Operating income	**15,872,358**	**19,295,107**
Other income and expenses		
Interest income on notes receivable	619,370	367,033
Other non-operating income	738,287	1,651,698
Total other income	**1,357,657**	**2,018,731**
Income before provision for income taxes	17,230,015	21,313,838
Provision for income taxes	-	-
Net income before non-controlling interests	**17,230,015**	**21,313,838**
Non-controlling interests	(134,855)	(159,093)
Net income attributable to controlling interests	**17,095,160**	**21,154,745**
Other comprehensive income		
Foreign currency translation adjustment	8,380,577	(7,296,045)
Total comprehensive income	**25,475,737**	**13,858,700**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position presented in US$ (unaudited)	31 December 2017	30 June 2017
Assets		
Current Assets		
Cash	40,792,650	46,745,369
Accounts receivable	43,929,566	26,170,771
Inventories	1,481,899	1,042,171
Prepayments	18,263,335	1,374,693
Interest receivable	1,212,275	1,023,769
Notes receivable	4,714,302	4,661,775
Loan to related party	39,233	28,980
Total Current Assets	**110,433,260**	**81,047,528**
Non-Current Assets		
Property, plant and equipment	28,029,798	26,622,562
Notes receivable	17,755,495	19,193,347
Prepayments	39,969,054	39,165,460
Biological assets	71,261,291	73,112,101
Total Non-Current Assets	**157,015,638**	**158,093,470**
Total Assets	**267,448,898**	**239,140,998**
Liabilities		
Current Liabilities		
Accrued expenses and other payables	353,459	765,271
Related party loans	2,947,294	1,522,341
Total Current Liabilities	**3,300,753**	**2,287,612**
Non-Current Liabilities		
Deferred income taxes	41,751,040	40,066,873
Total Non-Current Liabilities	**41,751,040**	**40,066,873**
Total Liabilities	**45,051,793**	**42,354,485**
Net Assets	**222,397,105**	**196,786,513**
Equity		
Issued and paid-up capital	51,522,467	51,522,467
Reserves	792,174	792,174
Retained earnings	168,980,630	151,885,470
Non-controlling interests	1,921,877	1,787,022
Foreign currency translation adjustment	(820,043)	(9,200,620)
Total Equity	**222,397,105**	**196,786,513**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity presented in US$ (unaudited)	Issued and paid up capital	Retained Earnings	Statutory Reserve Fund	Non-controlling interests	Other Income / (expense)	Total
Balance as at 30 June 2017	**51,522,467**	**151,885,470**	**792,174**	**1,787,022**	**(9,200,620)**	**196,786,513**
Shares compensation	-	-	-	-	-	-
Sale of shares	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-
Net income	-	17,095,160	-	134,855	-	17,230,015
Other comprehensive income / (expense)	-	-	-	-	8,380,577	8,380,577
Balance as at 31 December 2017	**51,522,467**	**168,980,630**	**792,174**	**1,921,877**	**(820,043)**	**222,397,105**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows presented in US$	Half year ended 31 December 2017	Half year ended 31 December 2016
Cash flows from operating activities		
Net (loss) / income	17,230,015	21,313,838
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	4,072,794	3,688,868
Amortization for prepaid land lease	825,687	853,284
Loss on disposal of PP&E	2,833	-
(Gains)/Losses from disposal of biological assets	(4,845,730)	(1,613,232)
Changes in operating assets and liabilities		
(Increase)/Decrease in accounts receivable	(16,312,905)	243,397
(Increase)/Decrease in inventories	(439,728)	56,681
(Increase)/Decrease in prepaid expenses	(16,667,854)	(349,271)
Decrease / (Increase) in interest receivable	(142,539)	(355,934)
Increase in accrued expenses and other payables	(429,885)	(327)
Net cash provided by/(used in) operating activities	(16,707,312)	23,837,304
Cash flows from investing activities		
Collection of notes receivables	2,339,883	1,143,912
Proceeds from sales of biological assets	13,902,263	4,551,970
Purchase of property, plant and equipment	(1,540,341)	(4,211,310)
(Increase) in biological assets	(6,873,290)	(9,679,209)
Purchase of biological assets	-	(17,784,000)
Net cash (used in) investing activities	(7,828,515)	(25,978,637)
Cash flows from financing activities		
Dividend payment	-	(3,172,486)
Loan paid to related party	(10,253)	-
Proceeds from shareholder loans	1,347,250	56,679
Net cash provided by/(used in) financing activities	1,336,997	(3,115,807)
Effect of exchange rate changes on cash	1,589,082	(772,929)
Net decrease in cash	**(5,952,718)**	**(6,030,069)**
Cash at beginning of year	**46,745,369**	**27,713,067**
Cash at end of year	**40,792,650**	**21,682,998**

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN U.S. $)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

1. ORGANIZATION

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.

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 stockholders, (iii) Trade Link, and (iv) Trade Link's principal stockholders. Pursuant to the terms of the Exchange Agreement, Value Development and the Value Development stockholders 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 stockholders owned 87.80% of Trade Link's outstanding shares (the "Share Exchange").

On 28 January 2011, Value Development through its wholly 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 stockholders have pledged their rights, title and equity interests in Zhongxian Information as security for the collection of consulting and service fees provided through the Equity Pledge Agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN U.S. $)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

1. ORGANIZATION (CONTINUED)

In order to further reinforce Jiasheng Consulting's rights to control and operate Zhongxian Information, the stockholders 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), its subsidiaries and its VIE, Zhongxian Information. Before and after the Share Exchange, Value Development, Value Development Group Limited (a wholly-owned subsidiary of Value Development), Jiasheng Consulting, 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 stockholders 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN U.S. $)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

1. ORGANIZATION (CONTINUED)

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

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

The 40% of the 10,000 shares of China Dairy were transferred from the sole shareholder of China Dairy to the following entities for nominal consideration, which has direct or indirect relationship with the shareholder and consultants of the Company: 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, a stock split of 65,000 shares for each outstanding share were issued as follows:

	Original Shares	Shares after stock split
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

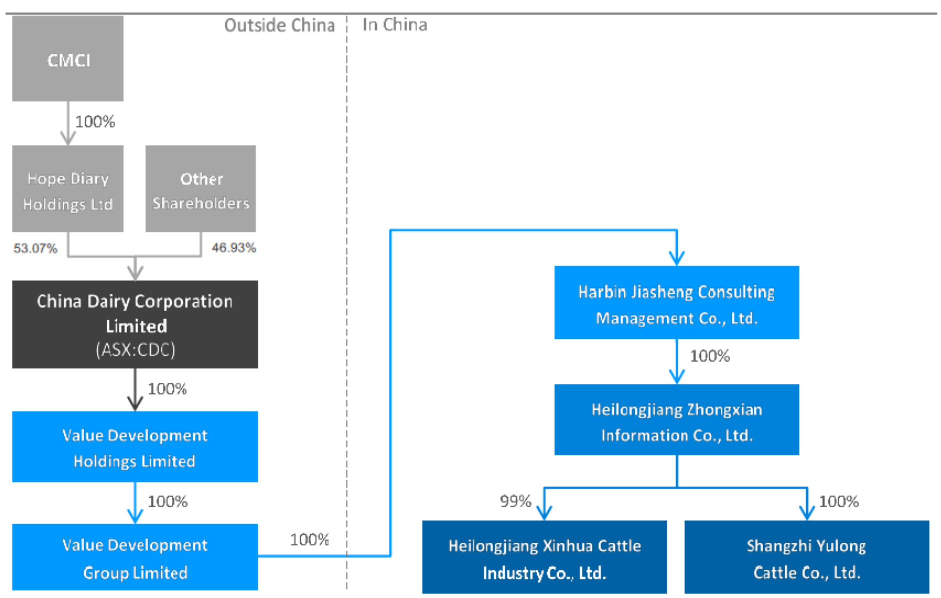
1. ORGANIZATION (CONTINUED)

On 16 September 2015 Jiasheng Consulting exercised its option to purchase all of the registered equity of the Company's operating subsidiary, Zhongxian Information from its stockholders 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, and the following subsidiaries owned by China Dairy: 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 audited consolidated financial statements of the Company as of 31 December 2017 and for the six months ended 31 December 2016, 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.

Accordingly, they do not include all of the information and footnotes normally required by accounting principles generally accepted in the United States of America for annual financial statements. The interim consolidated financial information should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Form 10-K for the year ended 30 June 2017, previously filed with the SEC. In the opinion of management, the interim information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. The results of operations for the six months ended 31 December 2017 are not necessarily indicative of the results to be expected for future quarters or for the year ending 30 June 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation (continued)

Variable Interest Entity

Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *"Consolidation"* ("ASC 810"), the Company was required to include in its consolidated financial statements the financial statements of its VIE. 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.

Zhongxian Information and its subsidiaries (collectively, the "Chinese VIE") had no assets that were collateral for or restricted solely to settle their obligations. The creditors of the Chinese VIE and its subsidiaries did not have recourse to the Company's general credit. Because Value Development, Value Development Group Limited and Jiasheng Consulting were established for the sole purpose of holding ownership interest and do not have any operations, the financial statement amounts and balances were 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 had this power was not affected by the existence of kick-out rights or participating rights, unless a single enterprise, including its related parties and de facto agents, had the unilateral ability to exercise those rights. The Chinese VIE's actual stockholders did not have any kick-out rights that affected the consolidation determination.

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

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FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Translations

All Company assets are located in the 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 (loss) and other comprehensive income (loss) 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 "AUS Dollar","AUD$" or "A$") into US dollars for preparing the consolidated financial statements are as follows:

	31 December 2017		30 June 2017		31 December 2016	
	RMB	A$	RMB	A$	RMB	A$
Balance sheet items, except for stockholders' equity, as of period end	**0.1537**	**0.7807**	0.1469	0.7538	0.1440	0.7208
Amounts included in the statements of income (loss), statement of changes in stockholders' equity and statements of cash flows for the period	**0.1506**	**0.7792**	N/A	N/A	0.1482	0.7533

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Translations (continued)

Foreign currency translation adjustments of $(8,380,577) and $(7,488,645), respectively, for the six months ended 31 December 2017 and 31 December 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 the AUS dollar 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Milk sales revenue is recognized when the title has been passed to the customers, which is when the milk is delivered to designated locations and accepted by the customers and the previously discussed requirements are met. Fresh milk is delivered 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on 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, notes receivable, prepayments, accrued expenses, and other payables, and stockholder 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs are $160,766 and $124,520, respectively, for the six months ended 31 December 2017 and 31 December 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 terms for its milk sales and usually receives the payment in the following month. The Company considers all accounts receivable at 31 December 2017 and 30 June 2017, 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 31 December 2017 and 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN U.S. $)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses and Advances to Suppliers

Prepaid expenses as of 31 December 2017 mainly represent the prepayments of approximately $17,360,871 for prepaid cow insurance expenses and R&D expenses. Prepaid expenses as of 30 June 2017 mainly represent the prepayment of approximately $1,375,000 for prepaid cow insurance 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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 six months ended 31 December 2017 and 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, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Biological Assets (continued)

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 six months ended 31 December 2017 and 31 December 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.

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 31 December 2017 and 30 June 2017, 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

BVI

Value Development and Hope Diary are incorporated in the BVI and are 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.

Income Taxes (Continued)

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 obtained an income tax exemption notice from the 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 stockholders 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 stockholders 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 six months ended 31 December 2017 and 31 December 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statutory Reserve Fund

Pursuant to the corporate law of the PRC, Jiasheng Consulting, Zhongxian Information and its two 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 31 December 2017 and 30 June 2017, the required statutory reserves have been fully funded.

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2016, the FASB issued new guidance which clarifies the classification of certain cash receipts and cash payments in the statement of cash flows, including debt prepayment or extinguishment costs, settlement of contingent consideration arising from a business combination, insurance settlement proceeds, and distributions from certain equity method investees. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2017. Early adoption is permitted. The Company is evaluating the impact of adopting this new accounting guidance on our consolidated financial statements.

In June 2016, the FASB issued new authoritative accounting guidance on credit losses on financial instruments which replaces the incurred-loss impairment methodology. The new guidance requires immediate recognition of estimated credit losses expected to occur for most financial assets and certain other instruments. The standard is effective for the Company in the first quarter of 2020; however early adoption is permitted beginning in the first quarter of 2019. The Company is currently evaluating whether this standard will have a material impact on its financial statements.

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.

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3. RECENTLY ISSUED ACCOUNTING STANDARDS (CONTINUED)

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 an 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.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

		31 December 2017		30 June 2017
Machinery and equipment	**$**	**4,400,649**	$	3,789,997
Automobiles		**3,086,734**		2,209,169
Building and building improvements		**27,597,286**		26,333,608
		35,084,669		32,332,774
Less: accumulated depreciation		**(7,054,871)**		(5,710,212)
Property, plant and equipment, net	**$**	**28,029,798**	$	26,622,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN U.S. $)

5. BIOLOGICAL ASSETS

Biological assets consist of the following:

		31 December 2017		30 June 2017
Immature biological assets	**$**	**30,054,421**	$	33,409,704
Mature biological assets		**46,646,375**		45,460,518
		76,700,796		78,870,222
Less: accumulated depreciation		**(5,439,505)**		(5,758,121)
Biological assets, net	**$**	**71,261,291**	$	73,112,101

Xinhua Cattle sold a total of 1,312 and 2,558 female calves to outside parties at a total price of RMB 10,232,000 (US $1,540,939), in the six months ended 31 December 2017. The net value of these female calves was approximately RMB 8,656,766 (US $1,311,776) and RMB 16,248,991 (US $2,447,098), respectively.

In December 2017, Xinhua Cattle sold total 5,110 adult cows to three outside parties for a total price of RMB 79,989,000 (US $12,046,343). The net residual value of these adult cows was approximately RMB 41,300,500 (US $6,219,856). The gain from the disposal of these 5,110 adult cows was RMB 37,518,395 (US $5,650,270). Xinhua Cattle received total payment of RMB 15,997,880 (US $2,458,862) and the outstanding balance on the disposal of the 5,110 adult cows was RMB 63,991,200 (US $9,835,447) as of 31 December 2017.

Yulong Cattle sold 236 and 511 female calves to outside parties at a total price of RMB 2,044,000 (US $307,826), in the six months ended 31 December 2017. The net value of these female calves was approximately RMB 1,321,876 (US $199,075).

Depreciation expense for the six months ended 31 December 2017 and 2016 was $2,817,658 and $2,472,076, respectively, all of which was included in cost of goods sold in the consolidated statements of income and other comprehensive income.

6. NOTES RECEIVABLE

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

In June 2017, May 2017, December 2016, November 2016, September 2011, August 2011 and June 2011, Xinhua Cattle sold 4,000, 2,511, 130, 4,000, 3,787, 5,635, and 2,000 respectively of its cows to local

6. NOTES RECEIVABLE (CONTINUED)

farmers. 6,000 of the cows sold were purchased from outside parties for $13,407,000. 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 31 December 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 installments 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 installment 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 installments 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. The Company signed supplemental agreements with the farmers and reduced the pay rate to 20% since 1 September 2017.

Pursuant to the agreements signed in November 2016, December 2016 and May 2017, the sales price will be collected in monthly installments 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 installment 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 installments 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 six months ended 31 December 2017 and 2016, the Company received principal and interest payments of $2,816,714 and $1,155,011, respectively. Commission income for the six months ended 31 December 2017 and 2016, was $8,274,518 and $8,333,329, respectively, under these agreements.

The receivable related to the sales of cows is included in notes receivable in the consolidated balance

6. NOTES RECEIVABLE (CONTINUED)

sheets as of 31 December 2017 and 30 June 2017. The related commission receivable of $5,659,686 and $7,206,564 at 31 December 2017 and 30 June 2017, respectively, is included in accounts receivable in the consolidated balance sheets.

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 31 December 2016, the farmers had fully repaid the principle 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 installments 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 installment 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 installments 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 and December 2016, the sales price will be collected in monthly installments 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 installment 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 installments 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 six months ended 31 December 2016 and 31 December 2015, the Company received principal and interest payments of $1,155,011 and $1,218,855, respectively. Commission income for the six months ended 31 December 2016 and 31 December 2015, was $8,333,329 and $10,211,095, respectively, under these agreements.

The receivable related to the sales of cows is included in notes receivable in the consolidated balance sheets as of 31 December 2017 and 30 June 2017. The related commission receivable of $5,659,686 and $7,206,564 at 31 December 2017 and 30 June 2017, respectively, is included in accounts receivable in the consolidated balance sheets.

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6. NOTES RECEIVABLE (CONTINUED)

Notes receivable at 31 December 2016 and 30 June 2016 consists of the following:

		31 December 2017		30 June 2017
Notes receivable	**$**	**22,469,797**	$	23,855,122
Less: discount for interest		**-**		-
		22,469,797		23,855,122
Less: current portion		**(4,714,302)**		(4,661,775)
Non-current portion	**$**	**17,755,495**	$	19,193,347

Future maturities of notes receivable as of 31 December 2017 are as follows:

Year Ending 31 December		
2018	$	4,714,000
2019		4,182,000
2020		3,745,000
2021		3,412,000
2022		2,824,000
Thereafter		3,592,000
	$	22,469,000

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" for a track of land of 250,000 square meters at no cost through 1 December 2015. On 10 May 2013, the Company entered into an agreement with the municipality of Qiqihaer for the "land use right" from 1 May 2013 to 30 April 2063. The Company recorded the prepayment of RMB 37,500,000 (US$6,060,000) as prepaid land lease. The prepaid lease is being amortized over the land use term of 50 years using the straight-line method. The unamortized balance of $5,004,000 and $5,285,680 is included in prepaid land lease in the consolidated balance sheets as of 31 December 2016 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 unamortized balance of $2,052,000 and $2,370,092 is included in prepaid land lease in the consolidated balance sheets as of 31 December 2016 and 30 June 2016, respectively. The lease provides for renewal options.

On 25 February 2013, the Company obtained another "land use right" for 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 prepaid land lease. The prepaid lease is being amortized over the land use term of 50 years using the straight-line method. The unamortized balance of $10,243,238 and $10,820,258 is included in prepaid land lease in the consolidated balance sheets as of 31 December 2016 and 30 June 2016, respectively. The lease provides for renewal options.

On 7 May 2015, the Company obtained another "land use right" for 250,000 square meters of land, from 7 May 2015 to 6 May 2045. In addition, the Company also leased buildings on the land which includes cowsheds, an office building and a flat building. The lease period for these buildings is the same as the land. The Company recorded the prepayment of RMB 74,847,600 (US$12,058,000) as prepaid leases. The prepaid lease is being amortized over the lease term of 30 years using the straight-line method. The unamortized balance of $10,179,274 and $10,825,203 is included in prepaid leases in the consolidated balance sheets as of 31 December 2016 and 30 June 2016, respectively.

On 14 May 2015, the Company obtained another "land use right" for 283,335 square meters of land along with the buildings on the land that includes cowsheds, office building and a flat building, from 14 May 2015 to 13 May 2045. The prepaid lease of US$18,260,000 (RMB111,887,500) is being amortized over the lease term of 30 years using the straight-line method. The unamortized balance of $15,216,700 and $16,182,280 is included in prepaid leases in the consolidated balance sheets as of 31 December 2016 and 30 June 2016, respectively.

Rent expense charged to operations for the six months ended 31 December 2017 and 2016 was $825,687 and $853,284, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN U.S. $)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

8. EMPLOYMENT AGREEMENTS

The Company had Employment Agreements with its executive officers and directors for a one year period with renewal options after expiration, with the current agreements expiring on June and August 2017. For the six months ended 31 December 2017 and 2016, compensation under these agreements $103,797 and $135,996, respectively.

At December 31, 2017, the future commitment under these agreements is approximately $100,287.

9. RELATED PARTY TRANSACTIONS

In July 2016, Xinhua Cattle contributed net profit of $6,225,856 and $99,923, respectively, to Zhongxian Information and the 1% owned minority shareholder. The total represents the net profit of Xinhua Cattle for the years ended 30 June 2008 and 30 June 2007.

In March 2015, Zhongxian Information and the Executive Chairman of the Company entered into a loan agreement pursuant to which the Executive Chairman provides a loan facility to Zhongxian Information, which is non-interest bearing and due on demand. The maximum amount of the loan is RMB 50,000,000 (US $7,845,000). Loans outstanding were $1,747,735 and $1,672,707 as of 31 December 2016 and 30 June 2016, respectively.

In 2012, CMCI issued 9,000,000 shares of common stock, valued at $0.34 per share, for a total of RMB 19,428,571 (US $3,060,000) to the shareholder of Yulong on behalf Zhongxian Information for the acquisition of Yulong. Zhongxian Information recorded the value of these shares as due to CMCI. China Dairy paid CMCI on 29 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN U.S. $)

10. INCOME TAXES

The provision for income taxes consisted of the following for the six months ended 31 December:

	Six Months Ended 31 December	
	2017	2016
Current	**$ -**	$ -
Deferred	**-**	-
	$ -	$ -

The following table reconciles the effective income tax rates with the statutory rates for the six months ended 31 December:

	2017	2016
Statutory rate	**25.00%**	25.00%
Allowance	**0.35%**	(0.32%)
Tax exemption	**(25%)**	(25%)
Other	**(0.35%)**	(0.32%)
Effective income tax rate	-	-

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 a Chinese resident enterprise has an exemption of dividend income received from another Chinese resident enterprise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN U.S. $)

10. INCOME TAXES (CONTINUED)

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

		31 December 2017		30 June 2017
Net operating loss carryforwards	$	562,492	$	520,965
Bargain purchase gain		(1,430,399)		(1,430,399)
Undistributed earnings of subsidiaries under PRC law upon VIE structure terminated		(40,320,641)		(38,636,474)
		(41,188,548)		(39,545,908)
Less valuation allowance		(562,492)		(520,965)
Net deferred tax (liabilities)	$	(41,751,040)	$	(40,066,873)

At 31 December 2017 and 30 June 2017, Zhongxian Information had unused operating loss carry-forwards of approximately $2,250,000 and $2,084,000, respectively, expiring in various years through 2020. The Company has established a valuation allowance of approximately $560,000 and $521,000 against the deferred tax asset related to the net operating loss carry forward at 31 December 2017 and 30 June 2017, 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. The Company's U.S. tax returns are subject to examination by the tax authorities for tax years 2014, 2015 and 2016. The year ended 30 June 2013 was examined by the Internal Revenue Service and resulted in no adjustment.

The Company's tax filings are subject to examination by the tax authorities. The tax years from 2009 to 2015 remain open to examination by tax authorities in the PRC. The Company's U.S. tax returns are subject to examination by the tax authorities for tax years 2014 and 2015. The 2013 tax return was examined by the Internal Revenue Service and resulted in no adjustment.

12. CONCENTRATION OF CREDIT RISK

Substantially all 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 the FDIC on funds held in United States banks.

In November 2015, the Company entered 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 terminating the contract with the original customer.

Four customers accounted for approximately 100% and eight customers accounted for approximately 100% of milk sales for the six months ended 31 December 2017 and 2016, respectively. Three customers also accounted for approximately 72% and 71% of accounts receivable at 31 December 2017 and 30 June 2017, respectively.

Eightyeight farmers and seventy-six farmers accounted for the notes receivable at 31 December 2017 and 30 June 2017, respectively.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated balance sheet of China Dairy Corporation Limited. and subsidiaries (the "Company") as of December 31, 2017, and the related condensed consolidated statements of income and comprehensive income for the six months ended December 31, 2017 and 2016, and condensed statements of change in stockholders' equity, and cash flows for the six months then ended and the related notes (collectively referred to as the interim consolidated financial statements). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the balance sheet of the Company as of June 30, 2017, and the related consolidated statements of income, comprehensive income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated September 29, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of June 30, 2017, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

Wei Wei & Co. LLP

Wei, Wei & Co., LLP
Flushing, New York
February 26, 2018