



CHINA DAIRY CORPORATION LIMITED

Results for Announcement to the Market

China Dairy Corporation Limited

ARBN 607 996 449

APPENDIX 4E

PRELIMINARY FINAL REPORT

for the year ended 30 June 2016

ASX ANNOUNCEMENT

31 August 2016

About this Appendix 4E 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 4E – Preliminary Final Report.

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

CMCI's results have been adjusted to represent the financial position of CDC for the 12 months ended 30 June 2016. The financial information presented has been prepared under US GAAP and is currently being audited 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 30 June 2016, CDC owned 35,058 cows and partnered with farmers with an additional 14,034 cows from which CDC makes a sales commission on the milk sold.

1. Details of the reporting period

Current period: 1 July 2015 to 30 June 2016

Previous corresponding period*: 1 July 2014 to 30 June 2015

**CDC was incorporated in Hong Kong on 12 January 2015 and registered in Australia as a foreign company on 2 September 2015. In August 2015, CDC acquired the operating entities in the Group. Comparisons to the previous corresponding period are comparisons to the historical financial information extracted from the financial report of the CMCI group of companies for the year ended 30 June 2015 which were audited by Wei, Wei & Co., LLP, the Company's independent registered public accounting firm who issued an unmodified audit opinion for the 2015 financial year. The numbers used for the previous corresponding period have been adjusted to reflect the financial position had CDC acquired the operating assets of the Group prior to August 2015.*

2. Results for announcement to the market

Comparison to previous corresponding period	Increase/Decrease	Change %	US\$'000
2.1 Revenues	Increase	52.4%	34,756
2.2 Net income after income taxes	Increase	8.1%	2,675
2.3 Net income attributable to controlling interests	Increase	8.3%	2,736

2.4 Final dividend

The directors do not propose to pay a final dividend for the year ended 30 June 2016.

2.5 Explanation of results

Revenues

Sales revenue in FY2016 rose by US\$34.75 million compared to FY2015 representing a year-on year percentage growth of 52.4%. Of this increase, revenue from milk sales increased by US\$33.16 million (68.5%) and revenue from sales commissions increased by US\$1.59 million (8.9%) in FY2016. This strong growth is due to a number of reason including:

- Increase in the milk price at which CDC sells its raw milk at. In the second quarter of FY2016, the Company replaced 4 of its old customers with 3 new customers that entered into agreements to purchase raw milk from CDC at RMB 3.80 per kilogram. This was higher than the previous customers which purchased milk from the Company at RMB 3.50 per kilogram.
- An increase in the number of cows owned by the company. Compared to 30 June 2015, CDC's company owned cows increased by 12,852 heads to a total of 35,058 as at 30 June 2016. Of these cows, the number of milkable cows increased from 9,996 at 30 June 2015, to 20,130 at 30 June 2016.
- The number of cows the company makes sales commissions from decreased by 3,216, from 17,250 cows at 30 June 2015 to 14,034 cows at 30 June 2016. However, the average number of

sales commission cows increased from 15,455 heads in FY2015 to 16,517 heads in FY2016. In addition, the price of milk that customers purchased raw milk from sales commission cows increased from RMB 3.35 per kilogram to RMB 3.60 per kilogram in February 2016. Due to these reasons, the revenue has increased from milk sales commissions in FY2016 by 8.9%.

Gross Profit

Gross profit decreased by US\$2.45 million or 5.3% due to an increase in feeding costs on the expansion of the cattle breeding and the increase in manufacturing costs attributed to the construction of two new farms.

Operating expenses

Operating expenses increased by US\$4.09 million representing a rise of 234%, which is due to changes in the cattle breeding sites and the employment of more personnel to build two new farms in order to expand the Company's cattle population.

Net income attributable to controlling interests

Net income attributable to controlling interests increased by US\$2.73 million or 8.3% in FY2016 compared with FY 2015 due to the above factors.

3. Consolidated Profit and Loss for the year ended 30 June 2016 presented in US\$

(This statement is based on accounts, which are in the process of being audited)

Consolidated Profit and Loss	Year ended 30 June 2016	Year ended 30 June 2015
Revenues		
Milk sales	81,604,871	48,441,505
Sales commissions	19,486,432	17,893,661
Total revenues	101,091,303	66,335,166
Cost of goods sold	(57,434,664)	(20,229,296)
Gross profit	43,656,639	46,105,870
Operating expenses		
Research and development	(306,616)	-
Selling and marketing	(1,889,864)	(1,146,798)
General and administrative	(3,641,402)	(600,468)
Total operating expenses	(5,837,882)	(1,747,266)
Operating income	37,818,757	44,358,604
Other income and expenses		
Interest income on notes receivable	588,822	618,263
Other non-operating income	174,802	226,543
Other non-operating expenses	(373,108)	(1,104,345)
Total other income	390,516	(259,539)
Income before provision for income taxes	38,209,273	44,099,065
Provision for income taxes	(2,403,996)	(10,968,816)
Net income before non-controlling interests	35,805,277	33,130,249
Non-controlling interests	(295,461)	(355,982)
Net income attributable to controlling interests	35,509,816	32,774,267
Other comprehensive income		
Foreign currency translation adjustment	(11,577,267)	560,995
Total comprehensive income	23,932,549	33,335,262

4. Consolidated Balance Sheet as at 30 June 2016 presented in US\$

(This statement is based on accounts, which are in the process of being audited)

Consolidated Balance Sheet	30 June 2016	30 June 2015
Assets		
Current Assets		
Cash	27,713,067	54,145,781
Accounts receivable	24,783,720	7,490,501
Inventories	1,122,843	759,628
Prepayments	1,216,963	898,905
Interest receivable	474,803	182,422
Notes receivable	2,097,363	2,739,302
Total Current Assets	57,408,759	66,216,539
Non-Current Assets		
Property, plant and equipment	34,327,757	6,950,302
Notes receivable	4,943,622	7,092,206
Prepaid leases and construction	45,483,513	54,257,040
Biological assets	64,322,377	38,603,586
Total Non-Current Assets	149,077,269	106,903,134
Total Assets	206,486,028	173,119,673
Liabilities		
Current Liabilities		
Accrued expenses and other payables	401,436	3,608,773
Dividend payable	3,116,969	-
Related party loans	1,413,744	799,524
Total Current Liabilities	4,932,149	4,408,297
Non-Current Liabilities		
Deferred income taxes	40,876,903	41,806,633
Total Non-Current Liabilities	40,876,903	41,806,633
Total Liabilities	45,809,052	46,214,930
Net Assets	160,676,976	126,904,743
Equity		
Issued and paid-up capital	51,522,467	1,206,800
Reserves	792,174	792,174
Retained earnings	113,594,495	118,856,123
Non-controlling interests	1,572,234	1,276,773
Foreign currency translation adjustment	(6,804,394)	4,772,873
Total Equity	160,676,976	126,904,743

5. Consolidated Statement of Changes in Equity for the year ended 30 June 2016 presented in US\$

(This statement is based on accounts, which are in the process of being audited)

Consolidated Statement of Changes in Equity	Issued and paid up capital	Retained Earnings	Statutory Reserve Fund	Non-controlling interests	Other Income / (expense)	Total
Balance as at 30 June 2015	1,206,800	118,856,123	792,174	1,276,773	4,772,873	126,904,743
Shares compensation	37,762,400					37,762,400
Sale of shares	12,553,267					12,553,267
Dividend distribution		(40,771,444)				(40,771,444)
Net income		35,509,816		295,461		35,805,277
Other comprehensive income / (expense)					(11,577,267)	(11,577,267)
Balance as at 30 June 2016	51,522,467	113,594,495	792,174	1,572,234	(6,804,394)	160,676,976

6. Consolidated Statement of Cash Flows for the year ended 30 June 2016 presented in US\$

(This statement is based on accounts, which are in the process of being audited)

Consolidated Statement of Cash Flows	Year ended 30 June 2016	Year ended 30 June 2015
Cash flows from operating activities		
Net (loss) / income	35,805,277	33,130,249
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	4,828,085	2,300,574
Amortization for prepaid land lease	1,789,248	1,029,601
Deferred income taxes	2,403,996	10,968,816
Losses from disposal of biological assets	215,997	1,102,921
Loss from disposal of property, plant and equipment	-	3,244
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(18,408,219)	(2,148,610)
(Increase) in inventories	(436,162)	(84,086)
(Increase) in prepaid expenses	(179,941)	(896,003)
Decrease / (Increase) in interest receivable	(316,576)	241,987
(Increase) in payment for lease	-	(33,431,988)
Increase in accrued expenses and other payables	463,871	274,475
Net cash provided by operating activities	26,165,576	12,491,180
Cash flows from investing activities		
Collection of notes receivables	2,090,254	1,875,642
Proceeds from sales of biological assets	955,494	19,524
Purchase of property, plant and equipment	(28,009,904)	(3,784,064)
(Increase) in biological assets	(18,090,592)	(10,741,615)
Purchase of biological assets	(15,623,459)	(4,555,600)
Net cash (used in) investing activities	(58,678,207)	(17,186,113)
Cash flows from financing activities		
Proceeds from sales of shares	12,553,267	-
Proceeds from shareholder loans	-	193,182
Repayment of shareholder loans	-	(99,316)
Repayment of inter-group loans	(3,166,963)	-
Net cash provided by financing activities	9,386,304	93,866
Effect of exchange rate changes on cash	(3,306,387)	714,294
Net increase / (decrease) in cash	(26,432,714)	(3,886,773)
Cash at beginning of year	54,145,781	58,032,554
Cash at end of year	27,713,067	54,145,781

CHINA DAIRY CORPORATION LIMITED

ARBN: 607 996 449

Hong Kong Company Registration Number: 2190508

Level 36, Gateway Tower, 1 Macquarie Place, Sydney NSW 2000

7. Dividend Payment Information

	Type	Paid/Declared	Total dividend	Dividend amount per CHESS Depository Interest	Franking status
12 July 2016	Interim	Paid	4,188,967 (AUD)	0.57 cents (AUD)	Unfranked

8. Dividend/distribution reinvestment plan

N/A

9. Net tangible assets per CHESS Depository Interest

	30 June 2016 (AUD cents ¹)	30 June 2015 (AUD cents)
Net tangible assets per CHESS Depository Interest	29.44	N/A

- The net tangible assets have been converted from US\$ to A\$ using the spot exchange rate at 30 June 2016 of 1 US\$ = A\$1.3466.

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

N/A

11. Details of associate and joint venture entities

N/A

12. 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.

13. Accounting standards

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

14. Review of operations

For the year ended 30 June 2016, CDC is pleased to report that it generated US\$101.1 million in revenue and net income attributable to controlling interests of US\$35.5 million. As at 30 June 2016, the Company had a strong cash position totalling US\$27.7 million. Also, see explanation of results set out in section 2.5.

15. Auditing Status

This report is based on accounts, which are in the process of being audited.

16. Audit disputes or qualifications

This report is based on accounts, which are in the process of being audited.

For and on behalf of China Dairy Corporation Limited,



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