

ASX Announcement

16 May 2017

Quarterly Update – China Dairy Corporation Limited Financial Results for the quarter ending 31 March 2017 (FY2017 Q3)

- Cash holdings are strong as of 31 March 17 at US\$32.4m (approx. A\$42.4m)
- Net Tangible Assets at 31 March 17 are A\$0.33 per share
- Revenues stable for FY2017 Q3 at US\$29.3m (approx. A\$38.7m) vs US\$29.6m (approx. A\$39.4m) for the previous quarter
- Gross Profit for FY2017 Q3 was US\$11.4m (approx. A\$15.1m) representing a 2.45% increase over the previous quarter
- FY2017 Q3 Operating Expenses decreased by 5.28% to US\$1.2m (approx. A\$ 1.6m) when compared to the previous quarter
- EPS for FY2017 Q3 of A\$0.021

Highlights

China Dairy Corporation Limited (ASX: CDC) (the “**Company**”) expects long term performance and competitiveness to be driven by herd optimisation. The Company is continuing to work on its initiatives to optimise the structure of the herd to primarily increase the proportion of milkable cows. As outlined in the table below, the Company has continued to make improvements over FY2017 Q3, with milkable cows reaching 63.37% of total cows owned by the Company.

Period ending	Milkable cows as a percentage of total cows (Company-owned only)
31-Mar-16	55.83%
30-Jun-16	57.42%
30-Sep-16	58.44%
31-Dec-16	61.24%
31-Mar-17	63.37%

Herd growth will be supported both organically and by acquisition, management expect to complete the purchase of between 1,000 and 2,000 adult dairy cows over the short term.

As of March 2017, the Company has invested over A\$1.15m in the research and development segment of the company, focusing on new products and fodder feed. Investment in R&D of fodder feed increases the health of dairy cows and contributes to increased production of raw milk. The Company is currently exploring the acquisition of new pastoral lands required specifically for the development of new product lines, including a

specialised children's milk product. The Company's continuing focus is on herd development and the increase in milkable cows as is evidenced by the increase in both herd size and proportion of milkable cows.

Outlook

Management will continue to develop and optimise herd size and operations in line with the Company's strategic objectives. As scale of operations expands and the herd shifts toward greater milk production, the Company has the option to engage additional raw milk contracts. Management will continue to update investors as operations scale towards greater raw milk production.

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; and
- milk sale commissions on the sale of raw milk from cows the company has sold to farmers.

As at 31 March 2017, CDC owned 31,877 cows and partnered with farmers with an additional 20,927 cows from which CDC makes a sales commission on the milk sold.