

23 February 2018

ASX ANNOUNCEMENT

REVIEW OF CORPORATE GOVERNANCE ARRANGEMENTS AND FURTHER UPDATE ON SUSPENSION OF TRADING IN CDC SHARES

Further to the announcement dated 9 February 2018, China Dairy Corporation Limited (ASX: CDC) (**Company**) provides the following update on the existing suspension of the Company's shares.

The Company has conducted a review of its corporate governance arrangements and sought professional legal advice from its Hong Kong and Australian legal advisers. After careful consideration of the ASX's concerns in relation to the Company's existing corporate governance arrangements (**ASX Concerns**) and advice provided by its legal advisers, the Company has proposed to adopt various amendments to its corporate governance arrangements, so as to address the ASX Concerns and strengthen the Company's corporate governance arrangements.

The proposed changes are outlined as follows.

Amendments to address the ASX Concerns

To address the ASX Concerns, the Company will undertake the following changes:

1. Board meetings

The Company will schedule Board meetings on a more regular and scheduled basis at least once every calendar month. To formalise this change, paragraph 11.1 of the Board Charter dealing with the frequency of Board meetings will be amended to include the following additional sentence: "With effect from the calendar year ending 31 December 2018, the Board will meet at least once every calendar month". Further, all material decisions of the Company, including the payment of dividends, will be made at Board meetings, rather than via circular resolutions, so as to provide the directors with a greater opportunity to participate in discussions of the advantages and disadvantages of the Board decisions. If required, the Company will also seek professional legal advice prior to any material decisions being made.

2. Consultancy arrangements

The Company has agreed with its corporate advisory consultant, Beijing Ruihua Future Investment Management Co., Ltd. (**Beijing Ruihua**), for amendments to be made to the consultancy agreement signed between the parties on 6 May 2016 (**Agreement**). The key purpose of the amendments is to clarify the limitations on the authority of Beijing Ruihua's personnel, which includes Mr Xiaoran (John) Zhang (**Mr Zhang**). In particular, it is clarified that consultants only have the ability to provide administrative support and advisory services. They are unable to exercise any decision-making power ordinarily exercised by the Company's

Board and senior management. Further, it is clarified that the Company is not bound by the advice and decisions of the consultants, and that the Company directors' obligations are not fettered by the consultants or the Agreement.

3. Bank account signatories

The Company has removed Mr Zhang as a signatory to its bank accounts in Hong Kong. The current Chairman, Mr Enjia Liu, and the Chief Executive Officer, Mr Youliang Wang, have been appointed as the joint signatories to the bank accounts.

Further amendments to the Company's corporate governance arrangements

The Company also proposes to undertake the following changes:

4. Independence of the Board

A third independent non-executive director will be appointed to the Board. This will bring the total number of members of the Board to five members, with a majority of Board members being independent directors.

5. Quorum

Clause 11.5 of the Company's Constitution will be amended to require the quorum for a Board meeting to be a minimum of three directors. With a Board consisting of two executive directors and three independent non-executive directors (as outlined above in section 4), this amendment will effectively require the attendance of a non-executive director at all Board meetings, so as to encourage further Board participation in its decision making processes.

6. Primary language of the Board

The Board Charter will be amended to state that the primary language of the Board is English and, if translations and/or interpretations into Chinese are required, this can be provided upon request. The Company will ensure that all translations and/or interpretations are undertaken in an expeditious and professional manner for circulation to directors in advance of Board meetings.

The Company will promptly notify the market on the progress of the abovementioned corporate governance changes. Following implementation of the changes, the Company shall seek permission from the ASX for the resumption in trading of its shares.

Enjia Liu

Chairman



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