This is a Third Supplementary Prospectus dated 10 March 2016 intended to be read with the Original Prospectus dated 30 October 2015 relating to the Offer to apply for CDIs in the Company, the First Supplementary Prospectus dated 19 November 2015 and the Second Supplementary Prospectus date 5 January 2016.

China Dairy Corporation Limited
ARBN 607 996 449
Hong Kong Company Registration Number 2190508

Third Supplementary Prospectus

Important Information

This third supplementary prospectus is dated 10 March 2016 (**Third Supplementary Prospectus**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on the same date. This Third Supplementary Prospectus supplements the Prospectus dated 30 October 2015 (**Original Prospectus**), First Supplementary Prospectus dated 19 November 2015 (**First Supplementary Prospectus**) and Second Supplementary Prospectus (**Second Supplementary Prospectus**) dated 5 January 2016 issued by China Dairy Corporation Limited, a company incorporated in Hong Kong with the Hong Kong Company Registration Number 2190508 and registered in Australia as a foreign company with the ARBN 607 996 449 (**Company**) in relation to the Offer of CDIs by the Company.

Neither ASIC nor ASX takes any responsibility for the contents of this Third Supplementary Prospectus. This Third Supplementary Prospectus must be read together with the Original Prospectus, First Supplementary Prospectus and Second Supplementary Prospectus. Pursuant to section 719(4) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the Original Prospectus is taken to include the First Supplementary Prospectus, the Second Supplementary Prospectus and the Third Supplementary Prospectus. Unless otherwise indicated, terms defined in the Original Prospectus have the same meaning in this Third Supplementary Prospectus.

This Third Supplementary Prospectus, Second Supplementary Prospectus, First Supplementary Prospectus and Original Prospectus can be accessed online at www.chinadairyco.com.

1. Amendment to the entrusted feeding agreements

As described in section 2 of the First Supplementary Prospectus, the Group replaced its former 200 entrusted farmers with 179 new entrusted farmers due to migrating its farmer-raised cows from the Qiqihaer region in Heilongjiang to the Harbin region (refer to section 3.5 of the Original Prospectus for further details of the Group's farmer-raised cows).

Under the entrusted feeding agreements with the 179 entrusted farmers, the Group paid monthly feeding and other fees as follows:

(a) RMB 440 (A$95) in respect of each calf aged six months or under;

(b) RMB 560 (A$121) in respect of each adult cattle aged between 7 and 18 months;

(c) RMB 650 (A$140) in respect of each young cow aged between 19 months and the age at which the cattle gives birth to its first calf; and

(d) RMB 1,020 (A$220) in respect of each adult cow that has given birth to its first calf.

The Group has since amended its agreement with its 179 entrusted farmers to increase the monthly feeding and other fees payable as outlined below:

(a) RMB 500 (A$108) in respect of each calf aged six months or under;

(b) RMB 620 (A$134) in respect of each adult cattle aged between 7 and 18 months;

(c) RMB 750 (A$162) in respect of each young cow aged between 19 months and the age at which the cattle gives birth to its first calf; and

(d) RMB 1,700 (A$366) in respect of each adult cow that has given birth to its first calf.

The monthly feeding and other fees payable to the 179 entrusted farmers are periodically reviewed by the Group and determined by taking into account the market price for feed as well as the expected future fluctuation in feed costs.

In addition to the increase in feeding and other fees paid to the 179 entrusted farmers, the Group entered into a Supplementary Agreement with 174 of its entrusted farmers to provide for a one-off grant of RMB 600 (A$129) payable to the entrusted farmers for each young and adult cow raised by the entrusted farmers. These grants were made to the 174 entrusted farmers who raise young and adult cows for the Group to improve their farmland and equipment used to raise the cows.

2. Update to the Group’s customer contracts

The Group’s Purchase and Sales Contract of Raw Milk with Mengniu Dairy (Shangzhi) Co., Ltd. (**Mengniu Shangzhi**) expired on 21 February 2016. The Group entered into a new milk sale contract with Mengniu Shangzhi on 22 February 2016 on the same material terms as the previous contract. The materials terms of the new contract include a milk purchase price of RMB 3.45 per kilogram and a stipulation that the minimum quality of raw milk provided by the Group must have a fat content of 3.1%, a protein content of 2.95% and a SPC of no greater than 0.5 million CFU per mL. The Group's new Purchase and Sales Contract of Raw Milk with Mengniu Shangzhi has a term of 2 years and expires on 21 February 2018.

3. Financial update

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

On 22 February 2016, CMCI filed a Form 10-Q (Quarterly Report) for the period ending 31 December 2015 with the OTC Markets Group.

CMCI's results have been adjusted to represent the financial position of the Company for the 6 months ending 31 December 2015. The financial information in this section is unaudited, but is accompanied by a review report from Wei, Wei & Co. LLP, the Company's independent registered public accounting firm.

The Company's Investigating Accountant, Hall Chadwick Corporate (NSW) Limited, has not undertaken any form of review of the financial information contained in this Third Supplementary Prospectus.

(a) Profit and Loss for the 6 months ending 31 December 2015 presented in $US

Unaudited Profit and Loss	6 months ending 31 December 2015
Revenues	
Milk sales	34,992,610
Sales commissions	10,211,095
Total revenues	**45,203,705**
Cost of goods sold	(23,197,122)
Gross profit	**22,006,583**
Operating expenses	
Selling and marketing	(958,046)
General and administrative	(1,126,948)
Total operating expenses	**(2,084,994)**
Operating income	**19,921,589**
Other income and expenses	
Interest income on notes receivable	346,544
Gain (loss) on disposal of non-current assets	(105,015)
Other non-operating income	99,399
Other income and expenses	**340,928**
Income before provision for income taxes	20,262,517
Provision for income taxes	(2,441,438)
Net income before non-controlling interests	**17,821,079**
Non-controlling interests	(149,879)
Net income attributable to common stockholders	**17,671,200**
Other comprehensive income	
Foreign currency translation adjustment	(7,585,892)
Total comprehensive income	**10,085,308**

(b) Balance Sheet as at 31 December 2015 presented in $US

Unaudited Balance Sheet	31 December 2015
Assets	
Current Assets	
Cash	29,185,601
Accounts receivable	18,744,391
Inventories	1,857,148
Prepayments	809,607
Deferred charges	468,000
Interest receivable	336,271
Notes receivable	2,387,015
Total Current Assets	**53,788,033**
Non-Current Assets	
Property, plant and equipment	28,850,760
Notes receivable	5,841,279
Prepayments	47,544,394
Biological assets	48,571,465
Total Non-Current Assets	**130,807,898**
Total Assets	**184,595,931**
Liabilities	
Current Liabilities	
Accrued expenses and other payables	4,209,358
Related party loans	1,414,104
Total Current Liabilities	**5,623,462**
Non-Current Liabilities	
Deferred income taxes	41,832,532
Total Non-Current Liabilities	**41,832,532**
Total Liabilities	**47,455,994**
Net Assets	**137,139,937**
Equity	
Issued and paid-up capital	38,969,200
Reserves	792,174
Retained earnings	98,764,923
Non-controlling interests	1,426,652
Foreign currency translation adjustment	(2,813,012)
Total Equity	**137,139,937**

(c) Review report from Wei, Wei & Co. LLP on half year ending 31 December 2015

WEI WEI & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

• MAIN OFFICE
133-10 39TH AVENUE
FLUSHING, NY 11354
TEL. (718) 445-6308
FAX. (718) 445-6760

• CALIFORNIA OFFICE
36 W BAY STATE STREET
ALHAMBRA, CA 91801
TEL. (626) 282-1630
FAX. (626) 282-9726

• BEIJING OFFICE
SUITE 2503
CHINA WORLD OFFICE 2
1 JIANGUOMENWAI AVENUE
BEIJING 100004, PRC
TEL. (86 10) 65355871
FAX. (86 10) 65355870

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the condensed consolidated balance sheet of China Dairy Corporation Limited. and subsidiaries (the "Company") as of December 31 2015 and the related condensed consolidated statements of income for the three month and six periods ended December 31, 2015. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 Public Company Accounting Oversight Board (United States), 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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

Wei Wei & Co. LLP

Wei, Wei & Co., LLP
Flushing, New York
February 18, 2016

4. Directors' belief

The Directors believe that the information contained in this Third Supplementary Prospectus is not materially adverse from the point of view of an investor.

5. Directors' authorisation

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Third Supplementary Prospectus with ASIC.

Dated: 10 March 2016

Signed for and on behalf of
China Dairy Corporation Limited
David Paul Batten
Independent Non-Executive Director

This is a Second Supplementary Prospectus dated 5 January 2016 intended to be read with the Prospectus dated 30 October 2015 relating to the Offer to apply for CDIs in the Company and the First Supplementary Prospectus dated 19 November 2015.

China Dairy Corporation Limited
ARBN 607 996 449
Hong Kong Company Registration Number 2190508

Second Supplementary Prospectus

Important Information

This second supplementary prospectus is dated 5 January 2016 (**Second Supplementary Prospectus**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on the same date. This Second Supplementary Prospectus supplements the Prospectus dated 30 October 2015 (**Original Prospectus**) and First Supplementary Prospectus dated 19 November 2015 (**First Supplementary Prospectus**) issued by China Dairy Corporation Limited, a company incorporated in Hong Kong with the Hong Kong Company Registration Number 2190508 and registered in Australia as a foreign company with the ARBN 607 996 449 (**Company**) in relation to the Offer of CDIs by the Company.

Neither ASIC nor ASX takes any responsibility for the contents of this Second Supplementary Prospectus. This Second Supplementary Prospectus must be read together with the Original Prospectus and First Supplementary Prospectus. Pursuant to section 719(4) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the Original Prospectus is taken to include the First Supplementary Prospectus and the Second Supplementary Prospectus. Unless otherwise indicated, terms defined in the Original Prospectus have the same meaning in this Second Supplementary Prospectus.

This Second Supplementary Prospectus, First Supplementary Prospectus and Original Prospectus can be accessed online at www.chinadairyco.com.

1. Extension of the Offer

The Minimum Subscription (of A$15,000,000) under the Offer has not been met and therefore the Directors have resolved to extend the Closing Date of the Offer to 18 March 2016 with the revised indicative timetable set out below:

Event	*Date
Original Prospectus lodged with ASIC	30 October, 2015
Opening Date	9 November, 2015
First Supplementary Prospectus lodged with ASIC	19 November, 2015
Second Supplementary Prospectus lodged with ASIC	5 January, 2016
Closing Date	18 March, 2016
Allotment and issue of CDIs under the Offer	25 March, 2016
Expected date for despatch of holding statements	25 March, 2016
CDIs commence trading on ASX	5 April, 2016

Note: *The timetable above is indicative only. The Company, in consultation with the Lead Manager, reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to close the Offer early, extend the Closing Date, accept late Applications or cancel the Offer before settlement, subject to the Corporations Act and other applicable laws, without prior notice. If the Offer is cancelled before the issue of CDIs, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

2. ASIC Relief and Effect on an Applicant's Right to Withdraw

Pursuant to sections 723(3) and 724(1)(b) of the Corporations Act, the CDIs offered under the Original Prospectus must be admitted to quotation on ASX within 3 months of the date of the Original Prospectus. As the Original Prospectus is dated 30 October 2015, the period for admission to quotation of the CDIs on ASX will expire on 30 January 2016 (**ASX Quotation Deadline**).

Pursuant to section 724(1)(a) of the Corporations Act, the Minimum Subscription (of A$15,000,000) condition to the Offer must be satisfied within 4 months of the date of the Original Prospectus. As the Original Prospectus is dated 30 October 2015, the period for achieving the Minimum Subscription will expire on 29 February 2016 (**Minimum Subscription Deadline**).

The Company sought relief from ASIC from the provisions of sections 723(3) and 724(1)(a) and 724(1)(b) of the Corporations Act so that these conditions may be satisfied after the times provided for in those sections. By a declaration under section 741(1)(b) of the Corporations Act dated 4 January 2016 (**ASIC Declaration**), ASIC has granted the Company an extension of the time periods set out in sections 723(3), 724(1)(a) and 724(1)(b) of the Corporations Act.

Pursuant to section 724 of the Corporations Act, applicants under the Original Prospectus have an opportunity to withdraw their Application and receive a refund in certain circumstances, including in the event that CDIs under the Offer are not admitted to quotation on ASX by the ASX Quotation Deadline and the Minimum Subscription condition is not met by the Minimum Subscription Deadline.

By lodgement of this Second Supplementary Prospectus, the ASIC Declaration operates to extend the ASX Quotation Deadline and the Minimum Subscription Deadline so that they must be satisfied within 3 months and 4 months (respectively) of the date of this Second Supplementary Prospectus.

The effect of the ASIC Declaration is that Applicants will not have an opportunity to withdraw their Applications on the basis of the expiration of the ASX Quotation Deadline and the Minimum Subscription Deadline until the expiration of the new deadlines set out in this section 2 immediately above.

3. Right to withdraw

In accordance with section 724(2) of the Corporations Act, the Company hereby gives Applicants that **HAVE** already applied for CDIs under the Original Prospectus, the opportunity to withdraw their Application within one month of the date of this Second Supplementary Prospectus.

If you have lodged an Application Form prior to the date of this Second Supplementary Prospectus and do not wish to proceed with your Application, the Company will refund your Application Monies within a reasonable time. Any Applicant wishing to withdraw their Application and be repaid their Application Monies (at A$0.20 per CDI applied for) has until 5.00pm Sydney time on 5 February 2016 to withdraw their Application and request a refund. To withdraw an Application, Applicants must send a written request signed by the original Applicant to the Company's Share Registry at:

China Dairy Corporation Limited

C/- Boardroom Pty Limited

GPO Box 3993

SYDNEY NSW 2001

A refund cheque will be sent to the address set out in the Application Form previously lodged by the Applicant.

If you do not wish to withdraw your Application, you do not need to take any action.

4. Status of Offer

As at the date of this Second Supplementary Prospectus:

- the CDIs have not been admitted to quotation on the official list of ASX and the Company is in the process of meeting the conditions for listing on ASX; and
- the Company has received applications for 17,144,158 CDIs for a total subscription price of $3,428,831.60.

5. Application Form

From the date of this Second Supplementary Prospectus, persons who wish to apply for CDIs should use the Application Form which is attached to this Second Supplementary Prospectus. Applicants should NOT use the Application Form which is attached to the Original Prospectus.

6. Financial update

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

On 23 November 2015, CMCI filed a Form 10-Q (Quarterly Report) for the period ending 30 September 2015 with the OTC Markets Group.

CMCI's results have been adjusted to represent the financial position of the Company for the 3 months ending 30 September 2015. The financial information in this section is unaudited, but is accompanied by a review opinion from Wei, Wei & Co. LLP, the Company's auditor.

(a) Profit and Loss for the 3 months ending 30 September 2015 presented in $US

Unaudited Profit and Loss	3 months ending 30 September 2015
Revenues	
Milk sales	15,954,007
Sales commissions	5,192,856
Total revenues	**21,146,863**
Cost of goods sold	(8,760,384)
Gross profit	**12,386,479**
Operating expenses	
Selling and marketing	(428,024)
General and administrative	(442,014)
Total operating expenses	**(870,038)**
Net operating income	**11,516,441**
Other income and expenses	
Interest income on notes receivable	199,914
Gain (loss) on disposal of non-current assets	(34,818)
Other non-operating income	55,508
Net other income and expenses	**220,604**
Income before provision for income taxes	11,737,045
Provision for income taxes	(2,464,645)
Net income before non-controlling interests	**9,272,400**
Non-controlling interests	(90,862)
Net income attributable to common stockholders	**9,181,538**
Other comprehensive income	
Foreign currency translation adjustment	(5,040,228)
Total comprehensive income	**4,141,310**

(b) Balance Sheet as at 30 September 2015 presented in $US

Unaudited Balance Sheet	30 September 2015
Assets	
Current Assets	
Cash	40,001,283
Accounts receivable	9,227,284
Inventories	1,379,949
Prepayments	1,053,567
Deferred charges	387,000
Interest receivable	198,300
Notes receivable	2,492,862
Total Current Assets	**54,740,245**
Non-Current Assets	
Property, plant and equipment	22,858,502
Notes receivable	6,284,419
Prepayments	48,778,430
Biological assets	45,678,043
Total Non-Current Assets	**123,599,394**
Total Assets	**178,339,639**
Liabilities	
Current Liabilities	
Accrued expenses and other payables	3,330,980
Related party loans	1,434,450
Total Current Liabilities	**4,765,430**
Non-Current Liabilities	
Deferred income taxes	42,620,287
Total Non-Current Liabilities	**42,620,287**
Total Liabilities	**47,385,717**
Net Assets	**130,953,922**
Equity	
Issued and paid-up capital	1,206,800
Reserves	792,174
Retained earnings	127,854,661
Non-controlling interests	1,367,635
Foreign currency translocation reserve	(267,348)
Total Equity	**130,953,922**

(c) Review Opinion from Wei, Wei & Co. LLP on quarter ending 30 September 2015

WEI WEI & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

• MAIN OFFICE
133-10 39TH AVENUE
FLUSHING, NY 11354
TEL. (718) 445-6308
FAX. (718) 445-6760

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36 W BAY STATE STREET
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TEL. (626) 282-1630
FAX. (626) 282-9726

• BEIJING OFFICE
SUITE 2503
CHINA WORLD OFFICE 2
1 JIANGUOMENWAI AVENUE
BEIJING 100004, PRC
TEL. (86 10) 65355871
FAX. (86 10) 65355870

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the condensed consolidated balance sheet of China Dairy Corporation Limited. and subsidiaries (the "Company") as of September 30, 2015 and the related condensed consolidated statements of income for the three month periods ended September 30, 2015. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 Public Company Accounting Oversight Board (United States), 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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

Wei Wei & Co. LLP

Wei, Wei & Co., LLP
Flushing, New York
December 30, 2015

7. Directors' authorisation

Other than as set out above, all details in relation to the Original Prospects and First Supplementary Prospectus remain unchanged. In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Second Supplementary Prospectus with ASIC.

Dated: 5 January 2016

John Fick

Signed for and on behalf of
China Dairy Corporation Limited
John James Fick
Deputy Chairman and Independent Non-Executive Director

China Dairy Corporation Limited

ARBN **607 996 449**
Hong Kong Company Registration Number **2190508**

Broker Reference – Stamp Only

Broker Code | Advisor Code

APPLICATION FORM
SECOND SUPPLEMENTARY PROSPECTUS

Fill out this Application Form if you wish to apply for CHESS Depositary Interests (CDIs) in China Dairy Corporation Limited

- Please read the Prospectus dated 30 October 2015 and the First Supplementary Prospectus dated 19 November 2015.
- Follow the instructions to complete this Application Form (see reverse).
- Print clearly in capital letters using black or blue pen.

Offer Closes 5.00pm 18 March 2016

A **Number of CDIs you are applying for** **x $0.20 =** **B** **Total amount payable**

Minimum of 10,000 CDIs to be applied for and thereafter in multiples of 1,000 CDIs.

C **Write the name(s) you wish to register the Offer CDIs in *(see reverse for instructions)***

Applicant 1

Name of Applicant 2 or < Account Designation >

Name of Applicant 3 or < Account Designation >

D **Write your postal address here**

Number / Street

Suburb/Town | State | Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1 | Applicant #2

Applicant #3

G **Cheque payment details –** PIN CHEQUE(S) HERE

Please enter details of the cheque(s) that accompany this Application. Make your cheque or bank draft payable to "**China Dairy Corporation Limited**"

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Cheque Amount A$

H **Contact telephone number (daytime/work/mobile)**

I **Email address**

By submitting this Application Form, I/We declare that this Application is completed and lodged according to the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the Memorandum and Articles of Association of China Dairy Corporation Limited (the Company). I/We was/were given access to the Prospectus together with the Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above CDIs will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for CDIs in the Company.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.
These instructions are cross-referenced to each section of the Application Form.

Instructions

A. If applying for CDIs insert the ***number*** of CDIs for which you wish to subscribe at Item **A** (not less than 10,000 and then in multiples of 1,000)**.** Multiply by $**0.20** to calculate the total for CDIs and enter the ***dollar amount*** at B.

C. Write your ***full name***. Initials are not acceptable for first names.

D. Enter your ***postal address*** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.

NB: your registration details provided must match your CHESS account exactly.

F. Enter your Australian ***tax file number*** ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN /ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.

G. Complete ***cheque details*** as requested. Make your cheque payable to "**China Dairy Corporation Limited**", cross it and mark it **"Not negotiable"**. Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.

H. Enter your ***contact details*** so we may contact you regarding your Application Form or Application Monies.

I. Enter your ***email address*** so we may contact you regarding your Application Form or Application Monies or other correspondence.

Correct Forms of Registrable Title

Note that ONLY legal entities can hold the CDIs. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

Mailing address:

China Dairy Corporation Limited
C/- Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Delivery address:

China Dairy Corporation Limited
C/- Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
SYDNEY NSW 2000

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and +61 02 9290 9600 outside Australia.

Privacy Statement:

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a Shareholder (including your name, address and details of the CDIs you hold) to be included in the public register of the entity in which you hold CDIs. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your Shareholding. Your personal information may be disclosed to the entity in which you hold CDIs. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form.

Our privacy policy is available on our website (http://www.boardroomlimited.com.au/Privacy.html).

This is a Supplementary Prospectus dated 19 November 2015 intended to be read with the Prospectus dated 30 October 2015 relating to the Offer to apply for CDIs in the Company.

China Dairy Corporation Limited
ARBN 607 996 449
Hong Kong Company
Registration Number 2190508
Supplementary Prospectus

Important Information

This supplementary prospectus is dated 19 November 2015 (**Supplementary Prospectus**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on the same date. This Supplementary Prospectus is supplementary to the Prospectus dated 30 October 2015 issued by China Dairy Corporation Limited, a company incorporated in Hong Kong with the Hong Kong Company Registration Number 2190508 and registered in Australia as a foreign company with the ARBN 607 996 449 (**Company**) in relation to the Offer of CDIs by the Company (**Prospectus**).

Neither ASIC nor ASX takes any responsibility for the contents of this Supplementary Prospectus. This Supplementary Prospectus must be read together with the Prospectus. If there is a conflict between the Prospectus and the Supplementary Prospectus, the Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined in the Prospectus have the same meaning in this Supplementary Prospectus.

This Supplementary Prospectus and the Prospectus can be accessed online at **www.chinadairyco.com**.

1. Background

The Group had acquired the land use rights to two tracts of land in Harbin, Heilongjiang in May 2015 (refer to section 3.9 of the Prospectus for further details on the Group's farmlands). In order to take advantage of the lower transportation costs from these nearer tracts of land in the Harbin region, the Group has migrated to them all of its company-raised cows owned by Xinhua Cattle and the majority of the company-raised cows owned by Yulong cattle (refer to section 3.5 of the Prospectus for further details of the Group's company-raised cows).

The company-raised cows belonging to Xinhua Cattle were previously located in the Qiqihaer region of Heilongjiang and the company-raised cows belonging to Yulong Cattle were previously located in the Shangzhi region of Heilongjiang.

In addition to migrating its company-raised cows to farmland in Harbin, the Group has also migrated its farmer-raised cows from the Qiqihaer region in Heilongjiang to the Harbin region (refer to section 3.5 of the Prospectus for further details of the Group's farmer-raised cows).

While the migration of the dairy cows caused a minor disruption to the business, milk production has been restored to levels prior to the migration. In total, the migration took place over a 10 day period with the cows moved in batches to the new locations.

2. Entrust feeding agreements

Due to the migration of its farmer-raised cows to the Harbin region from the Qiqihaer region, the Group has replaced its previous entrusted farmers, all of which were located around the Qiqiqhaer region with new entrusted farmers that are now located in and around the Harbin region.

In line with the agreements with its previous entrusted farmers in the Qiqihaer region, the agreements entered into with the new entrusted farmers in the Harbin region specify, amongst other things, the fees paid by the Group to raise and feed the Group's dairy cows. This fee is determined based on the age of the dairy cows.

Agreements with the previous 200 entrusted farmers were terminated and new agreements were entered into with 179 entrusted farmers in the Harbin region. The entrusted farmers were allocated over 21,000 of the Group's dairy cows to raise. The operations of these new entrusted farmers range in size with an average herd size of approximately 118 dairy cows and with the largest herd size being over 390 dairy cows.

The fees paid to the new entrusted farmers to feed the Group's dairy cows has increased to account for higher market feed prices. Total monthly feeding and other fees payable to entrusted farmers are as follows:

(a) RMB 440 (A$95) in respect of each calf aged six months or under;

(b) RMB 560 (A$121) in respect of each adult cattle aged between 7 and 18 months;

(c) RMB 650 (A$140) in respect of each young cattle aged between 19 months and the age at which the cattle gives birth to its first calf; and

(d) RMB 1,020 (A$220) in respect of each adult cow that has given birth to its first calf.

This increase in the feeding fee paid to entrusted farmers would have taken place regardless of the change in entrusted farmers as the previous prices were based on prices set in March 2015. These prices are periodically reviewed by the Group and over the last 12 months have been increased twice; once in March 2015 (from prices previously set in December 2014) at an increase of between approximately 18 and 26% depending on the age of the dairy cow and again, more recently with an increase of between approximately 17 to 21% depending on the age of the cow. These prices are determined between the Group and the entrusted farmers by taking into account the market price for feed as well as expected future fluctuations in feed costs. This price is then locked in to ensure long-term stability and reviewed periodically to determine if adjustments need to be made.

3. Raw milk customers

The migration of the Group's company-raised and farmer-raised cows to the Harbin region in Heilongjiang, had created a large geographical distance between the location of its dairy cows and its customers which were located closer to the Qiqihaer region. Due to this, the Group has terminated four of its five milk sale agreements relating to the milk produced from its company-raised and farmer-raised cows. These agreements relate to the following customers:

(a) Heilongjiang Farm Agricultural Reclamation Delong Dairy Industry Co., Ltd;

(b) Qiqihaer Heshan Dairy Co., Ltd;

(c) Heilongjiang Longxing Dairy Industry Co., Ltd; and

(d) Suihua Dongxing Dairy Foods Co., Ltd.

The above customers have been replaced with three new customers and include:

(a) Heilongjiang Wandashan Harbin Dairy Co., Ltd;

(b) Heilongjiang Wanjiabao Fresh Milk Investment Co., Ltd; and

(c) Harbin Ruduobao Dairy Co., Ltd.

The four customers which the Group has terminated agreements with previously purchased milk from the Group under one year contractual terms at a milk price of RMB 3.50 per kilogram. The Group's three new customers are on two year contractual terms and state that they will purchase milk at RMB 3.80 per kilogram.

In addition to stating the price that milk produced by the Group will be purchased at, the milk sale agreements also state the minimum quality of milk that must be supplied. Prior to changing its four customers as outlined above, all customer contracts stipulated that milk sold must have at a minimum fat content of 3.1%, a protein content of at least 2.95% and a standard plate count (**SPC**) of no greater than 0.5 million colony forming units (**CFU**) per millilitre (**mL**). Of the current customers that purchase milk from the Group's company-raised and farmer-raised cows, only one customer requires that milk meets the aforementioned minimum quality standards.

The contracts with the Group's three new customers require a fat content of at least 3.1%, and a SPC of no greater than 2.0 million CFU per mL, in line with the PRC standards for raw milk. With respect to protein content, two of the three new customers require a protein content of at least 2.95% and the other requires a protein content of at least 2.8%, in line with the PRC standards for raw milk.

4. Repurposing of farmland

The Group's current farmlands are outlined in the Table 1 below and discussed in section 3.9 of the Prospectus. The migration of the Group's company-raised cows from their pervious locations in Qiqihaer (farmland numbered 3 in the table below) and Shangzhi (farmland numbered 2 in Table 1 below) has been undertaken to repurpose these tracts of land.

Table 1 – The Group's land use rights (LUR)

No.	Location	Area of Land (mu)	Area of Land (m^2)	Start of LUR	Expiration of LUR
1	Qiqihaer, Heilongjiang	25,000	16,666,750	9 October, 2011	8 October, 2021
2	Shangzhi, Heilongjiang	642	427,572	1 March, 2013	28 February, 2063
3	Qiqihaer, Heilongjiang	375	250,000	10 May, 2013	9 May, 2063
4	Harbin, Heilongjiang	357	238,000	7 May, 2015	6 May, 2045
5	Harbin, Heilongjiang	425	283,333	14 May, 2015	13 May, 2045

Prior to the migration of its company-raised cows to Harbin, the Group utilised the farmland numbered 1 in Table 1 above to produce and supply Grass for the Group's cows. It will now also utilise the other farmland in Qiqihaer (farmland numbered 3 in Table 1) for growing and producing grass for the Group's dairy cows. In addition, this farmland will also be used to cultivate different types of fodder to be used in the Group's Group's proposed processed liquid milk business, as described in section 2.16 and 3.11.2 of the Prospectus.

The farmland in Shangzhi (farmland numbered 2 in Table 1) will be used for developing the initial base of operations where the Group's research and development facilities related to its proposed processed liquid milk business will be established.

5. Directors' belief

The Directors believe that the information contained in this Supplementary Prospectus is not materially adverse from the point of view of an investor.

6. Directors' authorisation

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgment of this Supplementary Prospectus with ASIC.

Dated: 19 November 2015

David Batten

Signed for and on behalf of
China Dairy Corporation Limited
David Paul Batten
Independent Non-Executive Director

CHINA DAIRY CORPORATION LIMITED

PROSPECTUS

For an offer of up to 100,000,000 CHESS Depositary Interests at A$0.20 per CHESS Depositary Interest to raise a maximum of A$20,000,000 with a minimum subscription of at least A$15,000,000

IMPORTANT NOTICE

This Prospectus, including each of the documents which are incorporated by reference, is an important document and must be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your professional advisor.

CHINA DAIRY CORPORATION LIMITED
ARBN **607 996 449**
Hong Kong Company Registration Number **2190508**

Lead Manager:
PhillipCapital
Your Partner In Finance

Australian Corporate Advisor:
BLUEMOUNT CAPITAL

Photograph Description

The photograph on the front cover of this Prospectus is of a Holstein cow owned by the Group. The photograph was taken on the Group's farmland located in Fularji District, Qiqihaer City, Heilongjiang Province, the PRC.

IMPORTANT NOTICE

Offer
The Offer contained in this Prospectus is an invitation to acquire Chess Depositary Interests (**CDIs**) in China Dairy Corporation Limited, a company incorporated in Hong Kong with the Hong Kong Company Registration Number 2190508 and registered in Australia as a foreign company with the ARBN 607 996 449 (**Company**).

Lodgement and listing
This Prospectus is dated 30 October 2015 and a copy of this Prospectus was lodged with ASIC on that date.

The Company will apply to the ASX for admission of the Company to the official list of the ASX and for quotation of the CDIs on the ASX within seven days after the date of this Prospectus. Neither ASIC nor the ASX or their officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry date
No CDIs will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Notice to Applicants
The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's CDIs. There are risks associated with an investment in the CDIs and the CDIs offered under this Prospectus. Some of the risks that should be considered are set out in section 6 of this Prospectus. You should carefully consider these risks in light of your personal circumstances including financial and taxation issues. There may also be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional advisor before deciding whether to invest in the CDIs.

No person named in this Prospectus guarantees the Company's performance or any return on investment made pursuant to this Prospectus.

No offer where Offer would be illegal
This Offer does not constitute a public offer or invitation in any jurisdiction other than Australia. No action has been taken to register or qualify the CDIs or the Offer, or to otherwise permit a public offering of CDIs, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and therefore any person who resides outside Australia and who receives this Prospectus should seek advice on and observe any such restrictions. It is the responsibility of applicants outside Australia to obtain all necessary approvals for the issue of the CDIs pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

The Company will not offer to sell or solicit an offer to purchase any securities in any jurisdiction where such offer, sale or solicitation may not lawfully be made. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Notice to United States residents
The securities being offered pursuant to this Prospectus have not been registered under the *United States Securities Act of 1933*, as amended (**US Securities Act**) and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable United States securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act.

Selling restrictions
Please see sections 2.11 and 2.12 for selling restrictions for non-Australian residents, including for Hong Kong and Singapore.

Financial information and amounts

The historical financial information included in this Prospectus for the financial periods ended 30 June 2013, 2014 and 2015 have been prepared and presented in accordance with US GAAP and are expressed in US$ (the functional currency of the Company) except where otherwise stated. Save as set out above, the financial amounts referred to in this Prospectus are expressed in US$ unless stated otherwise.

Exchange rates

Unless otherwise stated, foreign currencies have been converted to A$ in this Prospectus using a Conversion Date of 15 October 2015 and based on the following exchange rates:

- RMB to A$ exchange rate of 0.2154
- US$ to A$ exchange rate of 1.3665
- HK$ to A$ exchange rate of 0.1763
- SGD to A$ exchange rate of 0.9916

Disclaimer

Australian investors should not rely on any information which is not contained in, or incorporated by reference in this Prospectus in making a decision as to whether to acquire securities in the Company under the Offer. No person is authorised by the Company to give any information or make any representation in connection with the Offer that is not contained in, or incorporated by reference in the Prospectus. Any information or representation not contained in, or incorporated by reference in this Prospectus may not be relied on as having been authorised by the Company, its Directors or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations and financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described in section 6 of this Prospectus.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with the ASX after the date of this Prospectus.

This Prospectus contains market data and industry forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state that the information contained in them has been obtained from sources believed to be reliable, but the Company has not independently verified the accuracy and completeness of such information.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

This Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

Exposure Period

The Corporations Act prohibits the Company from processing Applications under the Offer in the seven day period after the date of lodgement of the Prospectus with ASIC (**Exposure Period**). This period may be extended by ASIC for a further period of up to seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents during the Exposure Period, without the Application Form, by being posted on the following website: www.chinadairyco.com. Applications received during the Exposure

Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Electronic Prospectus

Whilst this Prospectus will be made available in electronic form on the following website: www.chinadairyco.com, the information on the website www.chinadairyco.com does not form part of the Prospectus. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of the Prospectus received electronically, or a print out of it, you should contact the Company. A paper copy of the Prospectus will be available for Australian residents free of charge by contacting Phillip Capital Limited, the Company’s Lead Manager, on 03 9618 8291 (from within Australia) or +61 3 9618 8291 (from outside Australia), between 8:30 am to 5:00 pm, AEST.

Applications for CDIs under this Prospectus may only be made on a printed copy of the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

Privacy

By filling out an Application Form to apply for CDIs, you are providing personal information to the Company through the Company’s service provider, the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company which it considers may be of interest to you.

Your personal information may also be provided to the Company’s agents and service providers on the basis that they deal with such information in accordance with the Company’s privacy policy. The types of agents and service providers (who may be located outside of Australia) that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- the Lead Manager and Corporate Advisors in order to assess your Application;
- printers and other companies for the purpose of preparing and distributing statements and for handling mail;
- market research companies for the purpose of product development, product planning and analysing the Company's Shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the CDIs and for associated actions.

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by contacting the Share Registry on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia), between 8:30 am to 5:00 pm, AEST

If any of your information is not correct or has changed, you may require it to be corrected.

Website

Any documents included on the website www.chinadairyco.com (and any reference to them) are provided for convenience only and none of the documents or other information on the website are incorporated by reference into this Prospectus with the exception of the policies and procedures relating to corporate governance set out under section 5.5 of this Prospectus.

Definitions and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in section 11 of this Prospectus.

Time

All references to time in this Prospectus refer to Australian Eastern Standard Time unless stated otherwise.

Photographs and diagrams

Photographs used in this Prospectus should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 30 October 2015.

TABLE OF CONTENTS

KEY DATES OF THE OFFER

Event	Date
Prospectus lodged with ASIC	30 October, 2015
Opening Date	9 November, 2015
Closing Date	5 January, 2016
Allotment and issue of CDIs under the Offer	11 January, 2016
Expected date for despatch of holding statements	11 January, 2016
CDIs commence trading on ASX on a normal T+3 basis	15 January, 2016

Note: The timetable above is indicative only. The Company, in consultation with the Lead Manager, reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to close the Offer early, extend the Closing Date, accept late Applications or cancel the Offer before settlement without notifying any recipients of this Prospectus or any Applicants. If the Offer is cancelled before the issue of CDIs, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Board of China Dairy Corporation Limited (the **Company** and, together with its subsidiaries, the **Group**), I am pleased to present this Prospectus and offer you the opportunity to become a Shareholder of the Company.

The Group's operations are located in Heilongjiang province, China, where the Group is predominantly focused on the production and wholesale of raw milk, and the rearing, breeding and sale of dairy cows.

As at 30 June 2015, the Group owned over 22,000 cows with an aggregate raw milk production capacity of approximately 238 tonnes per day. In addition, the Group has 73 individual partners through which it has an aggregate raw milk production capacity of 374 tonnes per day.

The Group has shown consistent historic growth over recent years with FY2015 revenues reaching approximately US$66.3 million (A$79.1 million) and total comprehensive income reaching approximately US$33.2 million (A$39.5 million), representing a compounded annual growth rate (CAGR) of 19% and 20% respectively since FY2013.

The Prospectus contains an offer of up to 100,000,000 CDIs to raise up to A$20,000,000. The minimum subscription under the Offer is 75,000,000 CDIs to raise A$15,000,000. After paying the costs of the Offer and retaining funds for working capital purposes in Australia, these funds will be used to aid the Group in establishing a new business stream that will produce processed liquid milk for children. The funds raised under the Offer will be applied by the Group to:

(a) pay the costs associated with the Offer, including the costs associated with obtaining a listing on the ASX;

(b) provide general working capital for the Company, including in respect of operational and administration expenditure; and

(c) develop a new business stream to produce processed liquid milk targeted at children. The funds raised in the Offer will be applied towards administration expenses, equipment purchases, construction of facilities and dairy cow purchases including related infrastructure for the initial stage of this project.

The Group is committed to listing on the ASX as it offers a sophisticated capital market and an internationally recognised and suitable corporate governance environment, which the Directors believe will provide a suitable platform for the Group's expansion.

The Board is confident that the Group's business model is appropriate to achieve growth in its targeted markets. However, an investment in the Group is subject to risks, including amongst other things, fluctuation of milk prices, fluctuation of input costs, reduction in milk supply, outbreak of animal diseases, product and food safety risks, loss of key customers, foreign exchange risks, fluctuations in the economic, legal, political and social conditions of the PRC, uncertainties with respect to the PRC legal system and government control of currency conversion. Detailed information about these risks is set out in Section 6, which I encourage you to read carefully. While the objective of this Prospectus is to provide the necessary information to help you make an investment decision, we recommend that you seek independent professional advice.

As the Company commences this new and exciting chapter of its history, the Board looks forward to welcoming you as a Shareholder.

Yours faithfully,

Mr. Enjia Liu
Executive Chairman

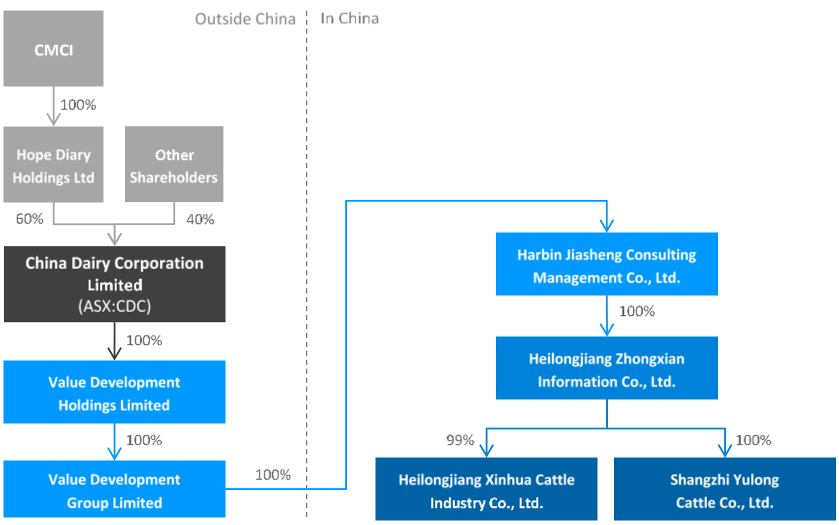
1 INVESTMENT OVERVIEW

1.1 General

The information set out in this section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for CDIs, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisors.

1.2 Key Offer information and frequently asked questions

Set out below is a summary of the key Offer information and frequently asked questions. This information is intended to be a summary only and should be read in conjunction with the more detailed information contained in the Prospectus and as cross referenced in the third column of the table below.

Topic	Summary	Further information
General		
Who is the issuer of this Prospectus?	China Dairy Corporation Limited, a company incorporated in Hong Kong and registered as a foreign company in Australia.	Section 2
Who is the Group?	The Company has a wholly owned subsidiary established in the British Virgin Islands (Value Development Holdings Limited), which has a wholly-owned subsidiary established in Hong Kong (Value Development Group Limited), which has a wholly foreign owned subsidiary or "WFOE" established in mainland China (Harbin Jiasheng Consulting Managerial Co., Ltd). The WFOE wholly owns the parent of the operating companies in China, Heilongjiang Zhongxian Information Co., Ltd., which owns 99% of Heilongjiang Xinhua Cattle Industry Co., Ltd. and 100% of Shangzhi Yulong Cattle Co. Ltd. 	Sections 3.2 and 3.4
Who is CMCI?	China Modern Agricultural Information, Inc, formerly known as "Trade Link Wholesalers, Inc", was incorporated on 22 December 2008 under the laws of the State of Nevada in the United States of America (**CMCI**).	Section 3

Topic	Summary	Further information
	In April 2011, Trade Link Wholesalers, Inc changed its name to "China Modern Agricultural Information, Inc". CMCI is listed on the OTC Markets Group and through its wholly owned subsidiary, Hope Diary Holdings Ltd., is the majority shareholder in the Company, holding 390,000,000 Shares.	
Business model		
What is the business of the Group?	The Group is primarily engaged in the production and wholesale of raw milk and the rearing, breeding and sale of dairy cows in Heilongjiang province, China. It also produces organic fertilizer made from cow manure, however, this activity only makes up a small portion of the Group's business. A large portion of the Group's dairy cows are entrusted to local farmers to assist in a more efficient means of raw milk production. The local farmers are responsible for raising, feeding and breeding the Group's dairy cows while providing the milk produced back to the Group.	Section 3
How does the Group generate income?	The Group generates the vast majority of its income through two primary sources: (a) the sale of raw milk; and (b) sales commissions for arranging the sale of milk from dairy cows sold to farmers.	Sections 3.5 and 3.6
How does the Group's raw milk production and sales business model work?	A large portion of the Group's dairy cows are entrusted to local farmers (farmer-raised cows) to assist in a more efficient means of raw milk production. The local farmers are responsible for raising, feeding and breeding the Group's dairy cows while providing the milk produced back to the Group. The Group pays the local farmers based on the number of calves, cows and cattle that are placed in their care and for their feed costs to rear the Group's dairy cows. In return, the farmers must provide milk daily from each milk producing cow per day and conduct periodic breeding of the dairy cows at the Group's expense under supervision by veterinarians chosen by the Group. All milk produced by the farmer-raised cows remains the property of the Group, as do any calves bred and any manure produced. The manure produced by cows is later used to produce organic fertiliser. As at 30 June 2015, the Group owns over 22,206 cows with an aggregate milk production capacity of approximately 238 tonnes per day. Of these cows, 19,555 were entrusted to local farmers.	Section 3.5
How does the Group's sales commission business model work?	The Group engages in selling dairy cows to farmers and generating income on the milk produced from these cows through a right to 30% of the milk sales revenue generated from these cows (**Milk Sales Commissions**). Farmers purchase cows under an instalment payment arrangement with the Group with repayment periods ranging between 1 and 8 years. The Group is entitled to Milk Sales Commissions throughout the repayment period. As at 30 June 2015, there were 73 farmers with a total of 17,250 cows and an aggregate milk production capacity of approximately 374 tonnes per day.	Section 3

Topic	Summary	Further information
What are the Group's material contracts?	**Agreements in respect of land use rights** The Group's operating subsidiaries have entered into land use rights agreements pursuant to which the respective local government transfers its land use rights to certain property located in China to the Group. Each agreement has a term of up to 50 years. Under the terms of the agreement, the Group is required to pay a land use fee and/or infrastructure use fee. All fees have been paid prior to the date of this Prospectus. **Entrusted feeding agreements** During or about December 2014, Xinhua Cattle entered into an entrusted feeding agreement with each of its entrusted farmers (**Entrusted Farmers**), pursuant to which each Entrusted Farmer raise and breed calves, young cattle and dairy cows (together, the **Dairy Cows**) owned by Xinhua Cattle. The Entrusted Farmers are responsible for raising, feeding and milking the Dairy Cows. The milk produced in respect of the Dairy Cows belongs to Xinhua Cattle and the Entrusted Farmers are required to deliver the milk to Xinhua Cattle each day during the term of the agreement. The term of each agreement is two years commencing in December 2014 and ending in December 2016. Under the terms of each agreement, Xinhua Cattle is required to pay certain trust breeding fees and feeding fees to each Entrusted Farmer, details of which are set out in section 9.2. **Cow sale and purchase agreements** Between June 2011 and December 2014, Xinhua Cattle sold Holstein cows (**Sale Cows**) to a number of farmers (**Sale Farmers**) under cow sales contracts. The purchase price for the Sale Cows is to be paid in instalments each calendar quarter with repayment periods varying between 1 and 8 years. With the exception of the Sale Cows sold in June 2011, in respect of which no interest is payable, interest of 7% per annum is payable each calendar quarter in respect of the outstanding amount of the purchase price. Under the terms of the contracts, Xinhua Cattle is entitled to receive 30% of the milk sales revenue generated by the Sale Farmers from the milk produced by the Sale Cows during the repayment period. **Milk sale agreements** The Group has entered into a number of agreements in relation to the sale of milk The price payable by the purchasers under each of the agreements is between RMB 3.35 (A$0.72) and RMB 3.50 (A$0.75) per kilogram of milk.	Section 9

Topic	Summary	Further information
	Loan agreement During or about March 2015, Zhongxian, a wholly owned subsidiary of the Company, and Enjia Liu, the Executive Chairman of the Company entered into a loan agreement pursuant to which Enjia Liu provides a loan facility to Zhongxian. The maximum amount of the loan is RMB 50,000,000 (A$10,771,451). Any borrowings in excess of this amount may be negotiated between the parties. As at June 2015, Heilongjiang Zhongxian Information Co., Ltd had drawn down US$937,524 (A$1,220,734 converted using the US$ to A$ spot exchange rate of 1.3021 as at 30 June 2015) from Enjia Liu pursuant to the loan agreement. **Mandate letter between Phillip Capital Limited and the Company** The Company and Phillip Capital Limited ABN 14 002 918 247 (AFSL Number: 246827) (**Phillip Capital**) entered into a mandate letter on 28 October 2015 (**Mandate Letter**) pursuant to which Phillip Capital was appointed as the exclusive lead manager in respect of the Offer. The Mandate Letter is not an underwriting or firm commitment to subscribe for securities but is on a reasonable endeavours basis. In consideration for Phillip Capital's services under the Mandate Letter, Phillip Capital is entitled to the following fees: (a) a monthly advisory fee of A$15,000 (plus GST) for each month up to a maximum of A$75,000; (b) a placement fee of 4% (plus GST) on the amount of capital raised under the Offer; (c) a management fee of 7.5% (plus GST) on the amount of capital raised under the Offer; (d) a success fee of 2% (plus GST) on the amount of capital raised under the Offer to be satisfied by the issue of shares in the Company at the Offer Price to Phillip Capital; and (e) a break fee of A$5,000 per month from from April 2015 if the Company terminates the services of Phillip Capital or terminates the Offer. Under the terms of the Mandate Letter, the Company provides Phillip Capital with certain indemnities in relation to any claim, demand, loss, expense, liability or action arising directly or indirectly from or relating to the Offer, the Prospectus and Phillip Capital's activities contemplated in the Mandate Letter, in each case to the fullest extent permitted by law. Both parties have the right to terminate the Mandate Letter in certain circumstances, details of which are set out in section 9.6. **Officer engagement contract** Zhongxian has entered into an officer engagement contract with Zhengxin Liu (**Mr Liu**) pursuant to which Zhongxian engaged Mr Liu as its director of	

Topic	Summary	Further information
	human resources. Mr Liu is the son of Enjia Liu, the Executive Chairman of the Company. The term of the contract is one year, expiring on 19 October 2016. The contract may be renewed by Zhongxian providing Mr Liu with 30 days written notice of its intention to renew the contract, prior to the expiry of the contract. During the term of the contract, Mr Liu is entitled to an annual salary of RMB 120,000 (A$25,851). Mr Liu is entitled to a performance bonus determined by Zhongxian. Both parties have the right to terminate the contract in certain circumstances, details of which are set out in section 9.7.	
Where are the Company's operations located?	The Company's dairy herd and facilities are located in Heilongjiang province, a province in Northern China.	Section 3
Why is the Company seeking admission to the Official List of the ASX?	The Company is seeking admission to the Official List of the ASX: (a) to raise funds that will be used to expand and diversify the Group's business, including into processed milk products as detailed in sections 2.16 and 3.11.2; (b) to gain liquidity in its shares (by means of the trading of CDIs on the ASX) and exposure to international equity markets through a respected stock exchange in a similar time zone; (c) to set best practice corporate governance standards and procedures through the constitution of audit, risk and remuneration committees; and (d) to set standards of independence to management.	Sections 2.16 and 3.11
Financial information		
What is the key financial information for the Company?	For the financial year ending 30 June 2015, the Company reported revenue of approximately US$66.3 million (A$79.1 million) with total comprehensive income of approximately US$33.2 million (A$39.5 million). As at 30 June 2015, the Company had approximately US$129.8 million (A$169.0 million) in net assets, of which approximately US$54.1 million (A$70.5 million) was in cash. The Company's financials have been derived from its ultimate holding company, CMCI, and have been prepared in accordance with US GAAP as outlined in Section 7. The Company intends to continue reporting in accordance with US GAAP.	Section 7
Key risks		
What are the key risks of investing in the Company?	**Risk of fluctuation of milk prices** Milk prices are set by the PRC and global markets depending on the product type and seasonal demand.	Section 6

Topic	Summary	Further information
	In recent years, quality of milk and veracity of origin of milk products within the PRC have materially and adversely affected the reputation of domestic PRC milk producers and increased demand for foreign milk in China. In particular, the melamine milk scandal in China in 2008 has had a lasting effect on the reputation of the local PRC dairy industry. Changes in milk pricing in the PRC may affect the revenue earned by the Group. **Risk of fluctuation of input costs** The Group is largely dependent on the cost and supply of cattle and feed ingredients, and the selling price of its products is determined by constantly changing and volatile market forces of supply and demand as well as other factors over which the Group has little or no control. **Reduction in milk supply** The majority of milk supply arrangements in respect of the farmer-raised cows are not the subject of long term contracts. Therefore, those suppliers can choose to cease supplying the Group at any time or on short notice. This could lead to a reduction in the amount of milk available for sale by the Group. **Outbreak of animal diseases** An occurrence of serious animal diseases, such as foot-and-mouth disease, or an outbreak of any other epidemic in the PRC may result in: • material disruptions to the Company's operations or the operations of its customers or suppliers; • a decline in the supermarket or food retail industry; or • a decline in economic growth in the PRC and surrounding regions, any of which could have a material adverse effect on the Company's operations and turnover. **Product and food safety risk** Milk is a perishable product and improper and/or poor handling and processing can critically affect the safety of the end product. Further, there is a risk of product contamination in the supply, production and storage process by a range of agents or pathogens, including salmonella, E coli and listeria. **Loss of key customers** The Group could lose key customers due to a range of events including, as a result of failure to renew a contract, weakening of customer relationships or disputes with customers, failure to remedy a contractual breach or comply with health and safety laws and regulations, or occupational health and safety requirements, failure to deliver products on time, consolidation of customers, insolvency of customers, increased competition or lack of milk supply.	

Topic	Summary	Further information
	Risks relating to loss of key management The Company's business and future success heavily depends upon the continued services of management and other key personnel. If one or more of the Company's management or key personnel are unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. The Company's business may be severely disrupted, its financial condition and results of operations may be materially adversely affected, and it may incur additional expenses to recruit, train and retain personnel. **Enforcement of contracts in foreign jurisdiction** The Company and/or its subsidiaries have entered into contracts which are material to its business and governed by the laws of the PRC. Should a contractual dispute result in court action or should the Company be in a position to require the enforcement of the security interests it holds, the procedure in courts in the PRC may be different than in Australia. **Payment of dividends** Payment of future dividends will depend on matters such as the future profitability and financial position of the Company, currency exchange rates and the other risk factors set out in this section 6. Whilst the Company has produced net profits for each of the past three financial years as set out in the audited accounts in section 7, there can be no assurance that the Group will achieve profitability in the future and be able to pay dividends. **Fluctuations in PRC's economic, political and social conditions** Since 1978, the PRC has implemented various reforms to its economic system. As a result of the reforms, the PRC's economy has been growing significantly for the past three decades. However, given the unprecedented and experimental nature of the reforms, they are potentially subject to refinement and changes as the PRC government deems fit. Political, economic and social factors are also expected to play a role in refinement and changes of these policies. The possibility of such refinement and adjustment may consequently have a material impact on the Company's operations in the PRC and in turn its financial performance. **Uncertainties with PRC legal system** The Company's PRC subsidiaries are generally subject to laws and regulations applicable to foreign investment in the PRC. However, as the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit the legal protections available to the Group. **Government control of currency conversion** The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. The Group receives all of its revenue in RMB. Under existing PRC foreign exchange regulations, payment of current account items, including	

Topic	Summary	Further information
	profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without approval from the PRC State Administration of Foreign Exchange (**SAFE**), by complying with certain procedural requirements. **Tax Treaty Benefits** PRC tax law prescribes a withholding tax (WHT) of 10% on dividends and other PRC sourced passive income of PRC non-resident enterprises, unless there is a tax treaty in place which provides otherwise. Pursuant to a treaty between Hong Kong and the PRC effective 21 August 2006, a company incorporated in Hong Kong will be subject to WHT of 5% on dividends it receives from its PRC subsidiary if it holds more than 25% interest in the PRC subsidiary (otherwise the WHT remains at 10%). **Exchange rate risks relating to listing on ASX** The proceeds of the Offer will be received in A$, while the Company's functional currency is US$. The Company is not currently hedging against exchange rate fluctuations, and consequently the Company will be at the risk of any adverse movement in the US$ to A$ exchange rate between the pricing of the Offer and the closing of the Offer. **Risk of oppression of minority shareholders** Immediately after the Offer, the Existing Holders will beneficially own approximately 89.66% of the Company's issued capital assuming that the Minimum Subscription is raised and approximately 86.67% assuming the maximum number of CDIs are issued under the Offer. As a result, these Existing Holders, if they act together, would be able to exert a significant degree of influence over the Company's management and affairs and over matters requiring Shareholder approval, including the election of Directors and approval of significant corporate transactions.	
Are there any other risks affecting an investment in the Company?	A number of risks relating to the Company and the Offer are set out in Section 6.	Section 6
The Offer		
What is the Offer?	This Prospectus provides investors with the opportunity to participate in the initial public offering of CHESS Depositary Interests (**CDIs**) in the Company.	Section 2
What are CDIs?	CDIs represent the beneficial interest in shares in a foreign company such as the Company. Each CDI will be equivalent to one Share. The CDIs effectively allow fully paid ordinary shares in a Hong Kong established company to trade on ASX.	Sections 2.4 and 10.2
What is the Offer Price?	A$0.20 per CDI (equivalent to A$0.20 per Share).	Section 2
What is the Maximum Subscription available under the Offer?	The Company is offering to the public a maximum of 100,000,000 CDIs (equivalent to 100,000,000 Shares) to raise A$20,000,000, before costs of the Offer.	Section 2

<table>
<tr><th>Topic</th><th>Summary</th><th>Further information</th></tr>
<tr><td>What is the Minimum Subscription under the Offer?</td><td>The Minimum Subscription is 75,000,000 CDIs (equivalent to 75,000,000 Shares) to raise A$15,000,000, before costs of the Offer.

If the Minimum Subscription is not raised, then the Company will not proceed with the Offer and will repay all Application Monies received (without interest).</td><td>Section 2</td></tr>
<tr><td>Is the Offer underwritten?</td><td>No, the Offer is not underwritten.</td><td>Section 2.3</td></tr>
<tr><td>Will the CDIs be listed?</td><td>The Company will apply to ASX for admission to the official list of ASX and quotation of CDIs on ASX under the code "CDC".

Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such an application is made, all Application Monies received will be dealt with in accordance with the requirements of the Corporations Act.</td><td>Section 2.8</td></tr>
<tr><td colspan="3">Use of funds</td></tr>
<tr><td>How does the Company intend to apply the funds raised from the IPO?</td><td>The table below sets out the proposed use of funds from the Offer in A$, for both Maximum and Minimum Subscriptions. The numbers in the table below have been rounded to the nearest A$1,000.

<table>
<tr><th>Use of funds from the Offer</th><th>Minimum Subscription (A$15,000,000)</th><th>Maximum Subscription (A$20,000,000)</th></tr>
<tr><td>Expenses of the Offer[1]</td><td>2,746,000</td><td>3,373,000</td></tr>
<tr><td>Working capital in Australia[2]</td><td>600,000</td><td>600,000</td></tr>
<tr><td>Administration expenses in China[3]</td><td>1,260,000</td><td>1,260,000</td></tr>
<tr><td>Construction expenses[4]</td><td>850,000</td><td>1,815,000</td></tr>
<tr><td>Equipment purchases (stage 1)[5]</td><td>3,679,000</td><td>3,679,000</td></tr>
<tr><td>Equipment purchases (stage 2)[6]</td><td>1,195,000</td><td>4,603,000</td></tr>
<tr><td>New cow breeding bases[7]</td><td>4,670,000</td><td>4,670,000</td></tr>
<tr><td>Total</td><td>15,000,000</td><td>20,000,000</td></tr>
</table>

Notes: Notes 1 and 2 below relate to the expenses of the offer and funds raised that will be used in Australia.

1. Total cash expenses of the Offer will be funded from the proceeds of the Offer. Refer to section 10.13 for a breakdown of these expenses.

2. Working capital expenditure in Australia is to be applied towards administration costs associated with the Company. These costs include wages and salaries, occupancy costs, professional consultant's fees, compliance and reporting costs associated with running an ASX listed company, as well as other typical administration costs as estimated for the 2 years after the IPO.

Notes 3 to 7 below relate to the Company's intentions to establish a new business stream in China that produces processed liquid milk for children (processed milk business) as discussed in section 3.11.2. The expenses related to the processed milk business will be incurred in RMB. The Company has chosen to use a RMB to A$ foreign exchange rate of 0.2154 (which is the exchange rate on the Conversion Date) in the calculation of the figures in the table above. Accordingly, investors should be aware that the amounts</td><td>Section 2.16</td></tr>
</table>

Topic	Summary	Further information
	represented in the table above may change as a result of fluctuations in the RMB to A$ exchange rate. 3. Administration expenses will be applied towards paying for staff salaries, training, external technical consultants and other related expenses required to establish the processed milk business. 4. Construction expenses will be used towards constructing an initial small-scale milk production factory, a laboratory and related infrastructure for the processed milk business. These funds will also be applied towards the enhancement of infrastructure around the Company's experimental cow breeding bases as described in Note 7 below. 5. During the initial stage of establishing the processed milk business, the Company will focus on R&D and milk production testing. The funds raised under the Offer will be applied towards the purchase of equipment that will be used for this purpose and will include equipment used to conduct the development, testing and small-scale production of processed liquid milk products. 6. Once the Group has completed the initial stage of the processed milk business, it will expand its production facilities by applying funds towards the purchase of further equipment needed to develop a new production line and a packaging plant. 7. It is the Group's intention to establish new cow breeding bases related to the processed milk business. These funds will be used towards purchasing high-quality cows and related equipment for two experimental cow breeding bases the Group intends to build in Heilongjiang and Mongolia.	
Capital structure		
What is the capital structure prior to completion of the Offer?	Prior to completion of the Offer, at the date of this Prospectus, there are 650,000,000 Shares on issue (equivalent to 650,000,000 CDIs).	Section 2.15
What is the percentage of CDIs being offered based on the number of CDIs/Shares currently on issue?	13.33% in the event the Maximum Subscription is raised, and 10.34% in the event the Minimum Subscription is raised.	Section 2.15
What is the capital structure after completion of the Offer (i.e. after allotment of the CDIs)?	Following completion of the Offer: (a) 750,000,000 CDIs in the event the Maximum Subscription is raised; and (b) 725,000,000 CDIs in the event the Minimum Subscription is raised.	Section 2.15
What is the proposed ticker code?	If the Company is successful in its application for admission to the official list of the ASX, the CDIs will trade on ASX under the ticker **"CDC"**.	Section 2.8
Will any CDIs be subject to escrow?	Yes. The following CDIs are subject to voluntary escrow for between 12 and 24 months from the date of listing of the Company's CDIs on the official list of the ASX: (a) 390,000,000 CDIs, representing 52.00% of all CDIs following	Section 10.6

Topic	Summary	Further information
	completion of the Offer in the event the Maximum Subscription is raised, will be subject to an escrow of 24 months; and (b) 195,000,000 CDIs, representing 26.00% of all CDIs following completion of the Offer in the event the Maximum Subscription is raised, will be subject to an escrow of 12 months. Following the completion of the 12 month escrow period, these CDIs will be subject to sell down restrictions for a following 12 months as detailed in section 10.6.	
The Board and Management		
Who are the Board of the Company and what experience do they have?	The Board has a well experienced Board team with extensive experience in agriculture, dairy and corporate transactional businesses. **Enjia Liu - Chairman and Executive Director** (a) former chairman of the board for Hong Kong Yunli Development (Heilongjiang) Co (b) current chairman and president of Hong Kong Yunli Group (c) current director of China's Economic Behaviour Centre (d) holds a Doctor of Social Science from Beijing University and a Master of Economics from the Heilongjiang Commercial College **Youliang Wang - CEO and Executive Director** (a) chief executive officer of China Modern Agricultural Information Inc. (b) Founder and former president of Tonghua Hongyuan Trading Co., Ltd (c) former chief marketing officer of Yunnan Nanyao Jiaoxiong Pharmaceutical Co., Ltd (d) former vice president of Guofa Venture Investment Co., Ltd **John James Fick - Deputy Chairman and Non-executive Director** (a) 30 years' experience in key management roles in manufacturing and materials businesses (b) current director of Ultima Capital Investments Pty Ltd (c) research fellow at the Australian National University and the University of New South Wales (d) experienced company director having served on the board of several investment companies **David Paul Batten - Non-executive Director** (a) over 25 years' experience in financial markets (b) specialising in derivatives in the bullion, equities, commodities, foreign exchange and interest rate markets (c) formerly worked within large foreign banking institutions including Bankers Trust Australia and Goldman Sachs (d) current non-executive chairman of ASX listed, Victor Group Holdings Limited **Lidong Jiang - Non-executive Director** (a) deputy secretary general and executive member of the Council of the Border Area Economic Society of China	Section 5

Topic	Summary	Further information
	(b) deputy secretary general and executive member of the Council of the Heilongjiang Animal Husbandry Economic Society (c) vice president of the rural development research institute in Heilongjiang province (d) vice president of the economic societies in Heilongjiang province	
Who are the management of the Company and what experience do they have?	**Ms. Yanyan Liu - Chief Financial Officer** (a) over a decade of experience in accounting and financial management (b) former staff member of the Harbin Decorative Advertisement Design Corporation (c) former member of Caiyun Tradings Company (d) graduated from the Heilongjiang College of Commerce **Ms. Pingzhi Liu - Chief Operating Officer** (a) worked in Greater Hinggian Mountains Centre Health Epidemic Preventions Station (b) former deputy director general of the Animal Husbandry Development Office of the Harbin Animal Husbandry Bureau (c) current director of Zhongxian (d) graduate of the College of Animal Science and Technology, North East Agricultural University **Zhengxin Liu* - Chief Human Resources Officer** (a) former sales director of Yunli Development (Heilongjiang) Co Limited (b) former assistant president of Zhongxian (c) holds an accounting degree from Heilongjiang Institute of Economic Management *Zhengxin Liu is the son of Mr Enjia Liu	Section 5.4

Significant interests of key people and related party transactions

Topic	Summary	Further information
Who are the Company's substantial shareholders and what will their interests be on completion of the Offer?	See table below	Section 10.4

Substantial Holders	Date of Prospectus		Following the Offer		
	Shares	% of Shares on issue	Shares[1]	CDIs[2]	% of Shares on issue[1]
Hope Diary Holdings Ltd	390,000,000	60.00%	390,000,000	390,000,000	52.00%
Dingxi (Shanghai) Equity Investment Management Co., Limited	130,000,000	20.00%	130,000,000	130,000,000	17.33%
Zhiyuan International Holding Co., Limited	65,000,000	10.00%	65,000,000	65,000,000	8.67%

Notes: 1. The number/percentage ownership after the Offer assumes the Maximum Subscription of A$20,000,000 (represented by 100,000,000 CDIs) under the Offer.

2. Assuming all Shares are converted to CDIs.

<table>
<tr><th>Topic</th><th>Summary</th><th>Further information</th></tr>
<tr><td>What significant benefits are payable to Directors, other related parties and promoters in connection with the Company or the Offer?</td><td>The Company has agreed to remunerate its Executive and Non-Executive Directors through a combination of an appropriate salary package and market based director fees respectively.

<table>
<tr><th>Name</th><th>Directors' Fees</th><th>Remuneration</th></tr>
<tr><td>Mr Enjia Liu</td><td></td><td>A$40,000</td></tr>
<tr><td>Mr Youliang Wang</td><td></td><td>A$40,000</td></tr>
<tr><td>Mr. John James Fick</td><td>A$40,000</td><td></td></tr>
<tr><td>Mr. David Paul Batten</td><td>A$40,000</td><td></td></tr>
<tr><td>Mr. Lidong Jiang</td><td>A$40,000</td><td></td></tr>
</table>

The Company has agreed to remunerate its promoters as set out in sections 9.5 and 10.12.</td><td>Sections 5.3, 9.5 and 10.12</td></tr>
<tr><td>What are the Directors' current interest in the issued share capital of the Company?</td><td>As at the date of this Prospectus, the Directors of the Company indirectly hold 13.44% of the Company.

In the event the Minimum Subscription is raised, Directors of the Company will together indirectly hold 12.05% of the Company and 11.64% in the event Maximum Subscription under the Offer is raised.

The Directors' current shareholdings at the date of this Prospectus, along with their % shareholdings assuming the Maximum Subscription is raised under the Offer, are set out in the table below:

<table>
<tr><th>Director</th><th>Number of Shares/CDIs[1, 2] held directly</th><th>Number of Shares/CDIs[1, 2] held indirectly</th><th>% of issued Shares at the Date of this Prospectus</th><th>% of issued CDIs[2] after the Offer based on the Maximum Subscription</th></tr>
<tr><td>Mr. Enjia Liu[3]</td><td>Nil</td><td>2,697,625</td><td>0.42%</td><td>0.36%</td></tr>
<tr><td>Mr. Youliang Wang</td><td>Nil</td><td>84,632,999</td><td>13.02%</td><td>11.28%</td></tr>
<tr><td>Mr. John James Fick</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Mr. David Paul Batten</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Mr. Lidong Jiang</td><td>Nil</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
</table>

Notes:
1. The Directors may subscribe for additional CDIs under the Offer.
2. Assuming all Shares held were converted to CDIs.
3. Mr. Enjia Liu’s wife and son hold approximately 68,526,285 Shares in aggregate, indirectly in the Company, representing an interest of 10.54% in the Company’s Shares at the date of this Prospectus. If the Maximum Subscription were to be raised, their interest in the Company’s Shares would equate to 9.14%.</td><td>Sections 5.2 and 10.8</td></tr>
<tr><td>What related party transactions have the Group entered</td><td>The Group has entered into agreements with two related parties:
(a) a loan agreement entered into between the Mr. Enjia Liu, the</td><td>Section 10.10</td></tr>
</table>

Topic	Summary	Further information
into?	Chairman of the Group and Zhongxian; and (b) an employment agreement between the Group and the Group's Chief Human Resources Officer, Mr. Zhengxin Liu, who is the son of the Group's Chairman. Summaries of these agreements are contained in 9.5 and 9.7.	
Applications		
Am I eligible to participate in the Offer?	The Offer is open to all investors who are resident in Australia, however any person who has a registered address in any other country who receives this Prospectus may apply for CDIs but may only apply where that investor is able to reasonably demonstrate to the satisfaction of the Company that they may participate in the Offer.	Sections 2.11 and 2.12
How can I apply?	Instructions on how to complete the Application Form accompanying this Prospectus are set out under section 2.5 and on the Application Form itself.	Section 2.5
What is the minimum application amount under the Offer?	You may apply for a minimum parcel of 10,000 CDIs, for a minimum of A$2,000, and thereafter in multiples of 1,000 CDIs.	Section 2.5
What is the allocation policy?	The Board will allocate Applications based on satisfying the Minimum Subscription of the Offer and to ensure an appropriate shareholder base for the Company.	Section 2.6
When will I receive confirmation that my Application has been successful?	Confirmation of successful Applications in the form of holding statements are expected to be despatched by post on or around 11 January 2016.	Section 2.5
Dividends		
Will dividends be paid?	Dividends will be paid subject to the financial performance of the Company and in accordance with the dividend policy. Subject to the Group achieving its targets for the half year ending 31 December 2015, the Group intends to pay an interim dividend to its Shareholders when the Group's half year results are announced in February 2016. The Company intends to pay a dividend of between 12 and 15 percent of the NPAT generated by the Group for the financial year ending 30th June 2016. No assurances can be given by the Company to the payment of future dividends as this will depend on, amongst other things, the general business environment, the Group's level of profitability, the Group's funding requirements and the Group's financial and taxation position at the time.	Section 3.12
Tax and brokerage		
What are the taxation implications of investing in the CDIs?	The taxation implications of investing in the CDIs will depend on each investor's individual circumstances. You should seek your own tax advice prior to applying for CDIs under the Offer.	Section 10.11

Topic	Summary	Further information
Is there any brokerage commission or stamp duty payable?	You are not required to pay any brokerage commission or stamp duty for the acquisition of CDIs under the Offer. The Company will however pay brokerage to stockbrokers or licenced investment advisors.	Section 2.5
Further information		
How can I obtain further information?	If you have queries about investing under the Offer, you should contact your stockbroker, financial advisor, accountant or other professional advisor. If you have queries about how to apply under the Offer or would like additional copies of this Prospectus, please call the below between 8:30 am and 5:00 pm AEST: (a) The Company's Offer Information Line on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia) (b) The Lead Manager on 03 9618 8291 (from within Australia) or +61 3 9618 8291 (from outside Australia)	
Documents incorporated by reference	If you would like to obtain a copy of any of the documents incorporated by reference into this Prospectus, copies may be obtained from the Company's website, or by contacting the Company's Offer Information Line on the numbers detailed above.	Section 5.5

2 DETAILS OF THE OFFER

2.1 The Offer

The Company is offering for subscription CDIs at an issue price of A$0.20 per CDI, which equates to an issue price of A$0.20 per Share.

The Company reserves the right not to proceed with the Offer at any time before the allotment of CDIs under the Offer. If the Offer does not proceed, Application Monies received by the Company will be refunded in full without interest.

The Company, in consultation with the Lead Manager, also reserves the right to close the Offer early, to accept late Applications or extend the Offer (in certain circumstances) without notifying any recipient of this Prospectus or any Applicant.

2.2 How much is the Company seeking to raise under the Offer?

The Maximum Subscription under the Offer is A$20,000,000 representing 100,000,000 CDIs at A$0.20 per CDI (equivalent to 100,000,000 Shares at A$0.20 per Share).

The Minimum Subscription under the Offer is A$15,000,000 representing 75,000,000 CDIs at A$0.20 per CDI (equivalent to 75,000,000 Shares at A$0.20 per Share).

If the Minimum Subscription is not obtained within three months after the date of this Prospectus, the Company will repay all Application Monies in full without interest as soon as practicable or issue a supplementary or replacement prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application Monies in full without interest.

2.3 Is the Offer underwritten?

No, the Offer is not underwritten.

2.4 What are the CDIs?

The Company is incorporated in Hong Kong and registered in Australia as foreign company.

To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, depositary instruments called CHESS Depositary Interests (**CDIs**) are issued. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

Each CDI represents one underlying Share. The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited (**CDN**), a subsidiary of ASX, will hold the legal title to the underlying Shares.

The Shares underlying the CDIs will be registered in the name of CDN and will be held on behalf of and for the benefit of the CDI holder. CDIs will be CHESS-approved from the date of official quotation in accordance with the Listing Rules and the ASX Settlement Operating Rules. The Shares underlying the CDIs will rank equally with the Shares currently on issue in the Company.

Investors should note that there are certain differences between Shares in the Company and ordinary shares which are typically issued by Australian incorporated public companies. A summary of the key rights attaching to CDIs and Shares is set out in sections 10.2 and 10.3.

Holders of CDIs can choose to have their CDIs converted to a direct holding of Shares as described in section 10.2, however, if they do so they will no longer be able to trade on ASX. Similarly, subject to any restrictions under applicable law, holders of Shares may choose to convert their Shares to CDIs to enable them to trade on ASX, as described in section 10.2.

2.5 How do I apply under the Offer?

Who is eligible to participate in the Offer?	
Who can apply for CDIs under the Offer?	The Offer is open to all investors who are resident in Australia. However any person who has a registered address in any other country who receives this Prospectus may apply for CDIs if that person is able to reasonably demonstrate to the satisfaction of the Company that they may participate in the Offer relying on a relevant exception from, or that they are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have a registered address.
Completing and returning your Application under the Offer	
What is the minimum and maximum application under the Offer?	Applications must be for a minimum of 10,000 CDIs (A$2,000), equivalent to 10,000 Shares. Applications in excess of the minimum number of CDIs must be in multiples of 1,000 CDIs (A$200), equivalent to 1,000 Shares. There is no maximum amount that may be applied for under the Offer. The Company, in consultation with the Lead Manager, reserves the right to aggregate any Applications under the Offer which it believes may be multiple Applications from the same person. The Company, in consultation with the Lead Manager, reserves the right to reject any Application or to allocate a lesser number of CDIs than that which is applied for.
How do I apply under the Offer?	In order to apply under the Offer, please complete the Application Form that forms part of, is attached to, or accompanies this Prospectus or a printed copy of the Application Form attached to the electronic version of the Prospectus. Application Forms must be completed in accordance with the accompanying instructions. Once completed, please send your Application Form and Application Monies to the Company's Share Registry at the address set out below. **Mailing Address:** China Dairy Corporation Limited C/- Boardroom Pty Limited GPO Box 3993 SYDNEY NSW 2001 **Delivery Address:** China Dairy Corporation Limited C/- Boardroom Pty Limited Level 12, Grosvenor Place 225 George Street SYDNEY NSW 2000

How to pay for the Application Monies	The Application Monies must be paid by cheque(s) or bank draft(s). The cheque(s) or bank draft(s) must be : • in Australian currency; • drawn at an Australian branch of a financial institution; • crossed "Not Negotiable"; and • made payable: to "China Dairy Corporation Limited". Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount drawn under the cheque(s). If the amount of the cheque(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.
Fees, costs and timing for Applications	
When does the Offer open?	The Offer is expected to open for Applications on 9 November 2015. However, this may be delayed if ASIC extends the Exposure Period for the Prospectus.
What is the deadline to submit an Application under the Offer?	It is your responsibility to ensure that your Application Form and Application Monies are submitted before **5:00 pm (AEST)** on the **Closing Date** for the Offer which is 5 January 2016. The Company, the Corporate Advisor and the Share Registry take no responsibility for any acts or omissions committed by your broker in connection with your Application.
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of CDIs under the Offer. Brokerage and/or handling fees on applications for CDIs will be payable to member firms of the ASX or licensed investment advisors on such Application Forms bearing their codes and accepted by the Company. These fees will be paid from the proceeds of the Offer.
What are the costs of the Offer and who is paying them?	The costs of the Offer include the legal, accounting, advisory and other costs associated with the production of the offering documentation. At the time of production of this Prospectus, the cash costs were estimated to be A$2,745,521 (Minimum Subscription) and A$3,372,608 (Maximum Subscription). Refer to section 10.13 for further information. The Company intends to pay these cash costs from the proceeds of the Offer.
When will I receive confirmation whether my Application has been successful?	Holding statements confirming Applicants' allocations under the Offer are expected to be sent to successful Applicants on or around 11 January 2016. Applicants under the Offer will be able to call the Share Registry on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia) between 8:30 am and 5:00 pm AEST, from 11 January 2016 to confirm their allocation.
When will I receive my CDIs and when can I trade my CDIs?	Subject to ASX granting approval for the Company to be admitted to the official list of ASX, the Company will procure the issue of CDIs by CDN to successful Applicants as soon as practicable after the Closing Date. Allotment is expected to occur on 11 January 2016.

	Trading of CDIs on ASX is expected to commence on 15 January 2016 on a normal T + 3 settlement basis. If you sell CDIs before receiving an initial holding statement, you may contravene the Listing Rules and do so at your own risk, even if you have obtained details of your holding from your broker or the Share Registry.
Who do I contact if I have further queries?	If you have queries about investing under the Offer, you should contact your stockbroker, financial advisor, accountant or other professional advisor. If you have queries about how to apply under the Offer or would like additional copies of this Prospectus, please call the numbers below between 8:30am and 5:00pm AEST: (a) the Share Registry on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia); or (b) the Lead Manager on 03 9618 8291 (from within Australia) or +61 3 9618 8291 (from outside Australia).

2.6 Allocation policy

The basis of allocation of CDIs under the Offer (including any amount above the Minimum Subscription) will be based on satisfying the Minimum Subscription of the Offer and to ensure an appropriate shareholder base for the Company as determined by the Company, in consultation with the Lead Manager.

The Company, in consultation with the Lead Manager, reserves the right in its absolute discretion to issue no CDIs to Applicants under the Offer and may reject any Application or allocate a lesser amount of CDIs than those applied for at its absolute discretion.

2.7 Application Monies

All Application Monies will be held by the Company's Share Registry on trust in a separate account until CDIs are issued to successful Applicants.

Application Monies will be refunded in A$ to the extent that an Application is rejected or scaled back, or the Offer is withdrawn.

No interest will be paid on refunded amounts. The Company will retain any interest earned on Application Monies.

2.8 ASX listing

No later than seven days after the date of this Prospectus, the Company will apply to the ASX for admission to the official list of the ASX and for the CDIs to be granted official quotation by the ASX under the code **"CDC"**.

The Company is not currently seeking a listing of its CDIs on any other stock exchange. However, its major shareholder, CMCI, is listed on the OTC Markets Group in the United States of America.

The admission of the Company to the official list of ASX and official quotation of the CDIs is not to be taken in any way as an indication of the merits of the Company or the CDIs offered for subscription under the Offer.
ASX takes no responsibility for the contents of this Prospectus.

Normal settlement trading in CDIs, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the CDIs. Applicants who sell CDIs before they receive confirmation of their allotment may contravene the Listing Rules and do so at their own risk.

If permission for quotation of the CDIs is not granted within three months after the date of this Prospectus, all Application Monies will be dealt with in accordance with the Corporations Act.

2.9 Risk factors

You should read this entire Prospectus, including the risk factors set out under section 6, before making any decision to invest. You may wish to consult your professional financial advisors before investing.

The risk factors set out under section 6 and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the CDIs offered pursuant to this Prospectus. Accordingly, an investment in the Company should be considered speculative.

2.10 Tax implications of investing in the Company

The taxation consequences of any investment in CDIs will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course you should follow, you should seek your own professional advice. Refer to section 10.11 for further information.

2.11 Selling restrictions in Singapore and Hong Kong

2.11.1 Singapore

This Prospectus and any other materials relating to the securities being offered pursuant to this Prospectus have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore pursuant to the Securities and Futures Act (Chapter 289 of the Singapore Statutes) (**SFA**). Accordingly, this Prospectus and any other prospectus or materials in connection with the offer of sale, or the invitation for subscription or purchase, of these securities, may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the exemptions in Subdivision (4) of Division 1, Part XIII of the SFA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an "institutional investor" (as defined in section 4A(1)(c) of the SFA) or (ii) a "relevant person" (as defined in section 275(2) of the SFA) or (iii) a person to whom an offer is being made, as referred to in section 275(1A) of the SFA. By accepting this Prospectus, you represent and warrant that you are an investor falling within the categories set out above and agree to be bound by the disclaimers, limitations and restrictions described herein. In the event that you are not an investor falling within any of the categories set out above, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to these securities being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire these securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

2.11.2 Hong Kong

This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the CDIs have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the CDIs has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to CDIs that are or are intended to be disposed of only to persons outside of Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted CDIs may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

2.12 Foreign selling restrictions and overseas applicants

This Prospectus does not constitute a public offer or invitation in any jurisdiction other than Australia. No action has been taken to register or qualify the CDIs or the Offer, or to otherwise permit a public offering of CDIs in any jurisdiction outside Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who reside outside Australia and who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

The Company will not offer to sell or solicit an offer to purchase any securities in any jurisdiction where such offer, sale or solicitation may not lawfully be made. Any failure to comply with these restrictions may constitute violation of applicable securities laws.

2.13 Escrowed securities

At the date of this Prospectus, some of the Company's shareholders have entered into voluntary escrow arrangements in respect of their securities for periods between 12 and 24 months. Following completion of the Offer and in the event of a Maximum Subscription, 78.00% of the Company's CDIs will be held under escrow arrangements. Refer to section 10.6 for further information.

2.14 Broker applications

All valid applications lodged by stockbrokers or organisations which are member firms of the ASX or licensed investment advisors and which bear a stamp or code may be paid a fee on valid applications that are accepted by the Company. This fee will be paid by the Company.

2.15 Share capital

2.15.1 Date of this Prospectus

The issued capital of the Company as at the date of this Prospectus is set out in the table below:

Class of security	Number of securities
Shares (and equivalent CDIs) on issue at the date of this Prospectus[1]	650,000,000
Total Shares (and equivalent CDIs)	**650,000,000**

Notes: 1. Refer to section 10.3 for a summary of the principal rights, privileges and restrictions attaching to all Shares and section 10.2 for summary of the principal rights, privileges and restrictions attaching to all CDIs.

2.15.2 Allotment Date

At the Allotment Date, the issued capital of the Company will be as set out in the table below:

Class of security	Minimum Subscription		Maximum Subscription	
	Shares/CDIs	% of Total	Shares/CDIs	% of Total
CDIs (and equivalent Shares) on issue at the date of this Prospectus	650,000,000	89.66%	650,000,000	86.67%
CDIs now offered for subscription	75,000,000	10.34%	100,000,000	13.33%
Total CDIs (and equivalent Shares) immediately following the allotment of CDIs under the Offer[1]	**725,000,000**	**100.00%**	**750,000,000**	**100.00%**

Notes: 1. The Lead Manager will be issued new Shares as a success fee after completion of the IPO. 1,650,000 Shares will be issued to the Lead Manager if the Minimum Subscription is raised and 2,200,000 Shares will be issued to the Lead Manager if the Maximum Subscription is raised. Refer to section 9.6 for further details.

2.16 Use of proceeds of the Offer

Based on the Maximum Subscription of A$20,000,000, the Company expects to receive approximately A$16,627,000 of net proceeds from the Offer (after the expenses of the Offer). The table below sets out the proposed use of funds from the Offer in A$, for both Maximum and Minimum Subscriptions. The numbers in the table below have been rounded to the nearest A$1,000.

Use of funds from the Offer	Minimum Subscription (A$15,000,000)	Maximum Subscription (A$20,000,000)
Expenses of the Offer[1]	2,746,000	3,373,000
Working capital in Australia[2]	600,000	600,000
Administration expenses in China[3]	1,260,000	1,260,000
Construction expenses[4]	850,000	1,815,000
Equipment purchases (stage 1)[5]	3,679,000	3,679,000
Equipment purchases (stage 2)[6]	1,195,000	4,603,000
New cow breeding bases[7]	4,670,000	4,670,000
Total	**15,000,000**	**20,000,000**

Notes: Notes 1 and 2 below relate to the expenses of the offer and funds raised that will be used in Australia.

1. Total cash expenses of the Offer will be funded from the proceeds of the Offer. Refer to section 10.13 for a breakdown of these expenses.
2. Working capital expenditure in Australia is to be applied towards administration costs associated with the Company. These costs include wages and salaries, occupancy costs, professional consultant's fees, compliance and reporting costs associated with running an ASX listed company, as well as other typical administration costs as estimated for the 2 years after the IPO.

Notes 3 to 7 below relate to the Company's intentions to establish a new business stream in China that produces processed liquid milk for children (processed milk business) as discussed in section 3.11.2. The expenses related to the processed milk business will be incurred in RMB. The Company has chosen to use a RMB to A$ foreign exchange rate of 0.2154 (which is the exchange rate on the Conversion Date) in the calculation of the figures in the table above. Accordingly, investors should be aware that the amounts represented in the table above may change as a result of fluctuations in the RMB to A$ exchange rate.

3. Administration expenses will be applied towards paying for staff salaries, training, external technical consultants and other related expenses required to establish the processed milk business.
4. Construction expenses will be used towards constructing an initial small-scale milk production factory, a laboratory and related infrastructure for the processed milk business. These funds will also be applied towards the enhancement of infrastructure around the Company's experimental cow breeding bases as described in Note 7 below.
5. During the initial stage of establishing the processed milk business, the Company will focus on R&D and milk production testing. The funds raised under the Offer will be applied towards the purchase of equipment that will be used for this purpose and will include equipment used to conduct the development, testing and small-scale production of processed liquid milk products.
6. Once the Group has completed the initial stage of the processed milk business, it will expand its production facilities by applying funds towards the purchase of further equipment needed to develop a new production line and a packaging plant.
7. It is the Group's intention to establish new cow breeding bases related to the processed milk business. These funds will be used towards purchasing high-quality cows and related equipment for two experimental cow breeding bases the Group intends to build in Heilongjiang and Mongolia.

The use of funds set out above represents the Company's current intentions based upon its present plans and business conditions. The amounts and timing of the actual expenditures may vary significantly and will depend upon numerous factors, including the timing and success of the Company's development efforts.

3 COMPANY OVERVIEW

3.1 Overview

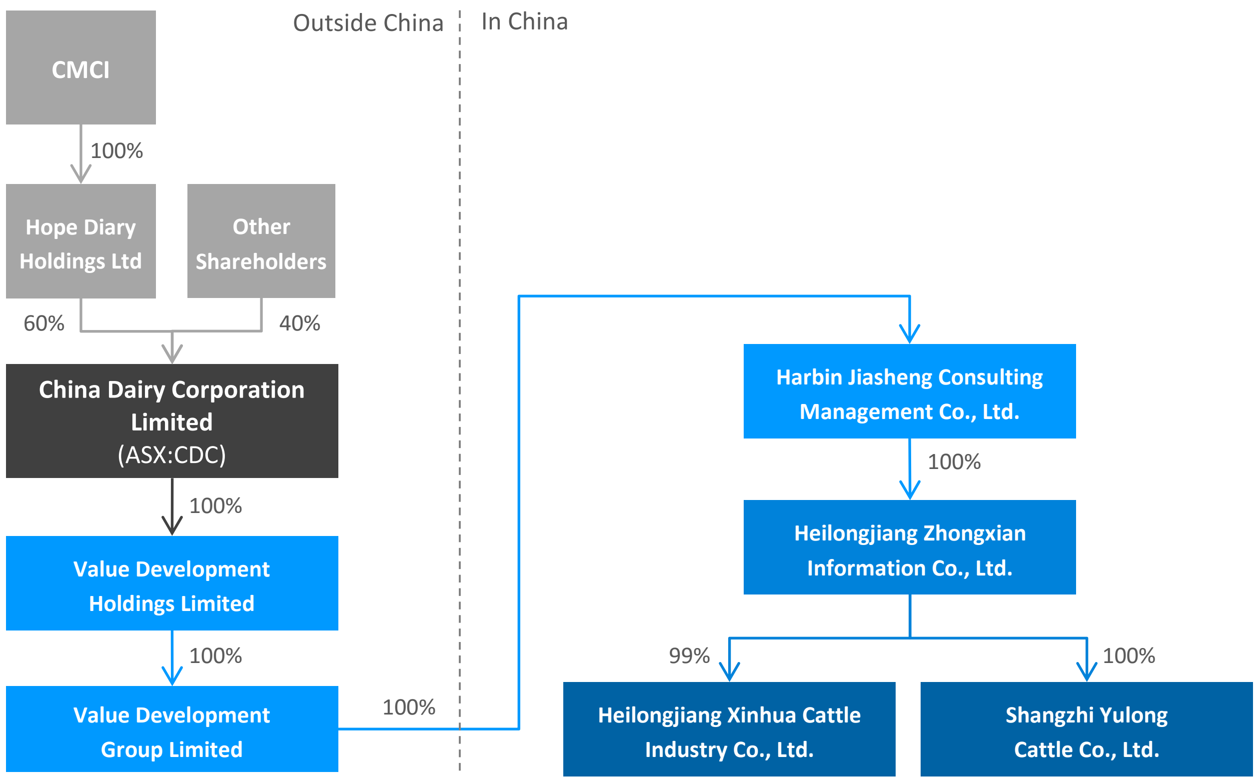
The Group is primarily engaged in the production and wholesale of raw milk and the rearing, breeding and sale of dairy cows. It also produces organic fertilizer made from cow manure, however, this activity only makes up a small portion of the Group's business.

The Group's operations are located in Heilongjiang province, China. According to the national livestock data compiled by the National Bureau of Statistics of China, in 2013, Heilongjiang was the second largest Chinese producer of milk and is located in the north of China. In 2014, the province accounted for approximately 15% of China's total milk production.

Heilongjiang Zhongxian Information Co., Ltd., the parent of the main operating subsidiaries within the Group, was established in 2005. Through a number of acquisitions, it has since grown the Group's dairy farming operation's to over 22,000 cows, being cows both raised by the Group and outsourced to farmers, with an aggregate raw milk production capacity of approximately 238 tonnes per day. In addition, the Group has 73 partners with an aggregate raw milk production capacity of approximately 374 tonnes per day[1].

3.2 Corporate structure of the Group

The majority shareholder of the Company is China Modern Agricultural Information, Inc (**CMCI**), a United States (**US**) based holding company listed on OTC Markets[2] under the ticker symbol **"CMCI"**. It holds its 390,000,000 Shares in the Company (comprising 60% of the issued capital of the Company as at the date of this Prospectus) via Hope Diary Holdings Ltd, a company incorporated in the British Virgin Islands on 30 June 2015. The Group structure at the date of this Prospectus is presented below.



[1] The Group's daily production capacity from internal operations and its partners are as at June 2015.
[2] OTC Markets is a US based marketplace comprising approximately 10,000 over-the-counter US and global securities.

(a) **China Dairy Corporation Limited**, previously Zhongxian Animal Husbandry Management Co., Limited, is a company incorporated in Hong Kong on 12 January 2015 and registered in Australia as a foreign company on 2 September 2015. The Company is currently 60% owned by CMCI through a wholly owned subsidiary, with the remaining 40% held by other shareholders. However, following completion of the Offer, between 10.34% (under the Minimum Subscription) and 13.33% (under the Maximum Subscription) will be beneficially held by the investors in the Offer through the ASX nominee company, CHESS Depository Nominees Pty Ltd. For further information on CHESS and CDIs, refer to section 10.2.

(b) **Value Development Holdings Limited** is a company incorporated in the British Virgin Islands on 24 June 2010 and is a wholly owned subsidiary of China Dairy Corporation Limited.

(c) **Value Development Group Limited** is a company incorporated in Hong Kong on 17 September 2010 and is a wholly owned subsidiary of Value Development Holdings Limited.

(d) **Harbin Jiasheng Consulting Management Co., Ltd.** is a wholly foreign owned enterprise (WFOE) incorporated in China on 15 September 2010 and is a wholly owned subsidiary of Value Development Group Limited.

(e) **Heilongjiang Zhongxian Information Co., Ltd.** is a wholly-owned subsidiary of Harbin Jiasheng Consulting Management Co., Ltd and the parent company of the operating subsidiaries in China described in paragraphs 3.2(f) and 3.2(g) below. It is engaged in the strategic development and management of its two subsidiaries. It was incorporated in China on 21 January 2005.

(f) **Heilongjiang Xinhua Cattle Industry Co., Ltd.** was incorporated in China on 1 December 2005. It is primarily engaged in the rearing, breeding and sale of cows as well as the production and sale of raw milk. The company's issued capital is held as follows:

i. 99% held by Heilongjiang Zhongxian Information Co., Ltd; and

ii. 1% held by Yilin Shi, the general manager of Heilongjiang Xinhua Cattle Industry Co., Ltd.

(g) **Shangzhi Yulong Cattle Co., Ltd.** was incorporated in China on 4 December 2007. It is primarily engaged in the rearing, breeding and sale of cows as well as the production and sale of raw milk. It is a wholly owned subsidiary of Heilongjiang Zhongxian Information Co., Ltd.

3.3 Brief history of formation of the Group

The Group's main operating entity, Heilongjiang Zhongxian Information Co., Ltd. (**Zhongxian**), was founded in January 2005.

In 2008, Zhongxian implemented a new feeding methodology based on Total Mixed Rations (**TMR**). This helped to reduce the Group's average cultivation cost per cow[3] by up to 30% (refer to section 3.5.1 for further information on the TMR feeding methodology).

In July 2010, Zhongxian acquired 99% of the shares in Heilongjiang Xinhua Cattle Industry Co., Ltd. (**Xinhua Cattle**), a company located in Qiqihaer City, Heilongjiang province.

In December 2010, Value Development Holdings Limited (**VDH**) acquired Value Development Group Limited (**VDG**) and its wholly foreign owned subsidiary, Harbin Jiasheng Consulting Management Co., Ltd. (**Jiasheng Consulting**).

Soon after this, Zhongxian and its shareholders entered into a series of agreements (**VIE Agreements**) with Jiasheng Consulting. Through these agreements, Jiasheng Consulting effectively took management control of Zhongxian and its subsidiary, Xinhua Cattle, while acquiring the right to appoint all executives, senior management and members of the Board of Directors of Zhongxian. The VIE Agreements also gave Jiasheng Consulting the exclusive right to provide complete business support, technical services and consulting services to Zhongxian.

In January 2011, VDH and its shareholders entered into an agreement with Trade Link Wholesalers, Inc. (**Trade Link**)[4]

[3] Cultivation costs include feed, labour, water, electricity, epidemic prevention, disease treatment, transportation and depreciation.
[4] Trade Link was an OTC Markets listed company engaged in the supply of aftermarket automotive wheel and wheel care products to emerging markets of Russia and Eastern Europe.

and its shareholders to exchange all the shares in VDH for newly issued shares of common stock in Trade Link resulting in the shareholders of VDH owning 87.80% of Trade Link. Subsequently, in April 2011, Trade Link changed its name to China Modern Agricultural Information, Inc.

In June 2011, the Group begun a new business model of selling cows to farmers and receiving a portion of milk sales generated by those cows. The model was implemented to hedge the Group's exposure to rising production costs at that time and has proven successful in providing another income stream to the Group through the wholesale of raw milk (refer to section 3.6 for further details on this business model).

In November 2011, Zhongxian acquired 100% of Shangzhi Yulong Cattle Co., Ltd. (**Yulong Cattle**), a company located in Shangzhi City, Harbin, Heilongjiang province and engaged in the production and wholesale of raw milk.

China Dairy Corporation Limited was incorporated in Hong Kong on January 2015, under the name, Zhongxian Animal Husbandry Management Co., Limited (**Company**). In August 2015, the Company was acquired by Hope Diary Holdings Ltd and other external parties. It then subsequently acquired 100% of the shares in VDH from CMCI.

In September 2015, the VIE Agreements between Jiasheng Consulting, Zhongxian and Zhongxian's shareholders were formally terminated. At the same time, Zhongxian's shareholders transferred 100% of the shares in Zhongxian to Jiasheng Consulting in exchange for RMB 10,000 (A$2,154). Jiasheng Consulting now directly and wholly owns the shares in Zhongxian.

3.4 Operations

The Group generates its income through a number of activities, including the production and wholesale of raw milk, the breeding and sale of cows and the production and sale of organic fertiliser made from cow manure.

The Group exclusively utilizes Holstein cows for its milk production. Holstein cows are popular in dairy farming due to their adaptability to a wide range of environments and their milk production.

The Group's milk producing cows maintain a milking period of approximately 305 days a year and, on average, have a yield of over 8.6 tonnes of milk per year.

3.5 Milk production and sales

The Group derives the majority of its revenues through the production and sale of raw milk. A large portion of the Group's dairy cows are entrusted to local farmers (**farmer-raised cows**) to assist in a more efficient means of raw milk production. The local farmers are responsible for raising, feeding and breeding the Group's dairy cows while providing the milk produced back to the Group.

The operations of local farmers range in size, with an average herd size of approximately 97 cows and with the largest herd size being over 370 cows. The local farmers rear cows entrusted to them by the Group.

The Group pays the local farmers based on the number of calves, cows and cattle that are placed in their care and for their feed costs to rear the Group's dairy cows. In return, the farmers must provide a minimum of 20 kilograms of raw milk from each milk producing cow per day and conduct periodic breeding of the dairy cows at the Group's expense under close supervision by veterinarians chosen by the Group.

All milk produced by the entrusted farmer-raised cows remains the property of the Group, as are any calves bred and any manure produced. The manure produced by cows is later used to produce organic fertiliser.

As at 30 June 2015, 19,555 cows were entrusted to approximately 200 local farmers. The remaining 2,651 cows were raised and managed by the Group (**company-raised cows**). The Group's aggregate milk production capacity from these cows as at 30 June 2015 was approximately 238 tonnes per day.

Table 1 below shows the Group's cow stocks at 30 June for the years 2010 to 2015. These have been segmented based on whether they are company-raised or farmer-raised cows.

Table 1 – The Group's cow stocks

Type of cows	June 2010	June 2011	June 2012	June 2013	June 2014	June 2015
Company-raised cows	200	200	4,710	4,994	5,344	2,651
Farmer-raised cows	12,260	16,368	9,357	12,237	15,573	19,555
Total cows	**12,460**	**16,568**	**14,067**	**17,231**	**20,917**	**22,206**

The Group has quality controls in place to ensure that its cows are healthy and produce milk of above standard quality[5]. Further information around the Company's quality controls is detailed in section 3.8.

3.5.1 Feed

The Group's cows are fed using the TMR feeding methodology. To ensure consistency across both company-raised cows and farmer-raised cows, Zhongxian issued a notice to all farmers co-operating with Zhongxian requiring the farmers to use the fodder specified by Zhongxian.

TMR is a husbandry technique that mixes roughage, concentrates, vitamins and other additives to provide sufficient nutrients for cows. It has a number of benefits, including:

- strong consistency as feed and nutrients are mixed well before being provided to cows, substantially reducing the risk of some cows consuming too much or too little of a particular feed component;
- a reduction in production costs as little feed is wasted;
- a reduction in labour costs as technology used to mix and distribute the TMR feed is less labour intensive; and
- an increase in milk production through correctly balancing nutrient content in the feed.

The Group utilises guinea grass that is grown on land it has the right to use as part of its feed. All other components used in its feed are sourced from external suppliers.

3.5.2 Milking process

Milking of cows is performed twice daily; once in the morning and once in the evening. After the milking has been conducted, the raw milk is filtered and placed in cooling tanks.

Once cooled, the raw milk is stored in large storage tanks until it is collected and transported directly to the purchaser in cold-storage milk tankers.

Tests are conducted by the Group before the milk is delivered to the purchaser and again by the purchaser on delivery. For further details of the quality controls in place around the milk production process, please refer to section 3.8.

3.5.3 Milk customers

The Group sells the milk produced by its company-raised and farmer-raised cows to five customers. All customers have contracts with the Group that specify a base price they will purchase milk at. In addition, the contracts state the minimum quality of milk that will be supplied. At a minimum, the milk must have a fat content of 3.1%, a protein content of 2.95% and a standard plate count (**SPC**)[6] of no greater than 0.5 million colony forming units (**CFU**) per millilitre (**mL**). These measures of milk quality are discussed further under section 3.8.

[5] The quality of the Group's milk is high relative to the PRC government's milk standards as discussed in section 3.8.1.
[6] The SPC is a method to measure the aerobic bacterial density of raw milk (also referred to as the Aerobic Plate Count or the Total Plate Count).

Of the Group's five customers, one has been purchasing milk from the Group since 2008 and the current contractual arrangement is for two years and expires on 21 February 2016. Under this contract the customer purchases the Group's raw milk at RMB 3.45 per kilogram.

The Group's remaining four customers have been purchasing milk from the Group since 2011. These customers all work under one year contractual arrangements which, in each case, expire on 31 December 2015. Under these contracts, the customers purchase the Group's milk at RMB 3.50 per kilogram.

3.6 Cow sales and sales commissions

In addition to its raw milk production and sales business, the Group also engages in selling dairy cows to farmers (**farmer-owned cows**) and generating income on the milk produced from these cows through a right to 30% of the milk sales revenue generated from these cows (**Milk Sales Commissions**).

One of the reasons that the Group undertook this additional business model in 2011 was to provide a hedge against a rise in production costs, coming in part from increasing feed costs for the cows. Since implementing this business model, the Group has earned consistent recurring revenues through the Milk Sales Commissions with the added benefit of relatively low direct costs as farmers have assumed the cow rearing and milk production functions.

Table 2 below provides an overview of the different cow sales conducted by the Group and the terms the cows have been sold under. Please note that in each sale, cows were sold to multiple farmers. To date, the Group has sold its cows to 76 farmers in total.

The sale of cows which took place in November 2014 resulted from a purchase from an outside party and then an on-sale to farmers. All other cows sold by the Group have been from the Group's own stock.

Table 2 – History of the Group's cow sales and sale terms

Month, Year	Cows sold	Sale terms
June, 2011	2,000	Cows were sold with a repayment period of 5 years with a minimum of 20% of the principal to be paid per year. No interest is payable on the outstanding principal, but the farmers must pay a 30% Milk Sales Commission during the repayment period.
August, 2011	5,635	Cows were sold with a 10% down payment on the sale price of the cows plus a 30% Milk Sales Commission to be paid during the repayment period, which is between 3 and 5 years. The principal payments are deducted from the 30% Milk Sales Commission and any remaining principal attracts a 7% annual interest rate which is paid separately.
September, 2011	3,787	Cows were sold with a 30% Milk Sales Commission to be paid during the repayment period, which is between 7 and 8 years. The principal payments are deducted from the 30% Milk Sales Commission and any remaining principal attracts a 7% annual interest rate which is paid separately.
November, 2014	3,714	Cows were sold with repayment periods of between 1 and 8 years with an annual interest rate of 7% on any principal remaining. In addition to the principal and interest payments, farmers must pay a 30% Milk Sales Commission during the repayment period.
December, 2014	2,995	Cows were sold with repayment periods of between 4 and 8 years with an annual interest rate of 7% on any principal remaining. In addition to the principal and interest payments, farmers must pay a 30% Milk Sales Commission during the repayment period.

As at June 2015, there were 73 farmers owning 17,250 cows that still had principal payments remaining on their cow purchases. As at 30 June 2015, these 73 farmers had an aggregate milk production capacity of approximately 374 tonnes per day.

3.6.1 Milk purchasers

The Group arranges for the sale of milk from farmer-owned cows to four purchasers. The milk purchasers have contracts with the Group that specify a base price for the milk. In addition, the contracts state the minimum quality of milk that will be purchased. At a minimum, the milk must have a fat content of 3.1%, a protein content of 2.95% and a SPC of no greater than 0.5 million CFU per mL. These measures of milk quality are discussed further under section 3.8.

Out of the four purchasers that buy the milk produced from farmer-owned cows, one also purchases the milk produced by the Group’s cows as outlined in section 3.5. This purchaser has been a customer of the Group since 2008, however it has been purchasing milk from farmer-owned cows since 2014. The contract between the Group and this purchaser sets the price of milk at RMB 3.45 per kilogram and is for a period of two years, expiring on 21 February 2016.

The remaining three purchasers only buy milk produced from farmer-owned cows. Two of these purchasers have been buying milk from farmer-owned cows since 2011 and one has been buying milk since 2012. These three purchasers are on two year contractual arrangements which expire between 12 and 15 December 2016 and state that they will purchase milk at RMB 3.35 per kilogram.

3.7 Organic fertiliser

As a by-product of its raw milk production, the Group uses the resulting manure as a source of additional revenue. It combines the raw material, the manure, with inoculating complex microbial agents and then ferments the product using biological and chemical processes and microbial fermentation technology. This produces the finished organic fertiliser.

The collection of the cow manure used in developing the organic fertilizer is also entrusted in part to local farmers that are responsible for raising the Group’s cows and producing milk for the Group. This by-product of the milk production process is collected by the local farmers and delivered to the Group so that it can be used in the production of organic fertiliser.

Currently, organic fertilizer is a very minor revenue stream for the Group and is sold to a single customer.

3.8 Quality control and management

The Group is required to comply with applicable PRC laws and regulations in relation to its production processes and food safety. It maintains various licenses and permits in order to operate its dairy farming business, including:

(a) Livestock and poultry production and operation licence as required under the Animal Husbandry Law of the People's Republic of China;

(b) Food hygiene licence issued by the Ministry of Health which organisations must obtain to engage in food production and/or marketing;

(c) Raw milk acquisition permit issued by the Animal Husbandry and Veterinary Bureau which the Group requires so that it can act as a purchasing agent and sell milk on a commission basis; and

(d) Animal epidemic prevention qualification certificate, issued by the Animal Husbandry and Veterinary Bureau which certifies that the Group is in compliance with applicable laws and regulations around animal epidemic prevention.

The Group's premises and transportation vehicles are subject to regular inspections by the regulatory authorities[7] for compliance with applicable regulations.

In addition, the Group is subject to quarterly inspections of its feeding sites by the Harbin Animal Husbandry and Veterinary Bureau (**AHVB**), and the State Administration for Quality Supervision, Inspection and Quarantine (**AQSIQ**) conducts random testing and examination of the Group's milk and equipment.

3.8.1 Milk quality and consistency

The Group's customer contracts dictate that milk sold by producers to the Group must have a fat content of at least 3.1%[8], a protein content at least of 2.95% and a SPC of no greater than 0.5 million CFU per mL. These measures are higher than PRC standards for raw milk which dictate that the minimum protein content should be 2.8%, the minimum fat content should be 3.1% and the maximum SPC should be no greater than 2.0 million CFU per mL.

To ensure consistency in the quality of milk produced across its company-raised cows and farmer-raised cows, Zhongxian issued a notice to all farmers co-operating with Zhongxian requiring the use of the fodder specified by Zhongxian. The farmers entrusted to raise the Group's cows must employ a TMR methodology using fodder specified by the Group to feed the cows.

3.8.2 Testing procedures

A number of tests are carried out by the Group on the company-raised cows and farmer-raised cows and the raw milk produced by them to ensure that they meet the Group's minimum quality standards.

Cows are tested for infectious diseases, including bovine tuberculosis and brucellosis. Tests for these diseases are carried out in line with applicable government regulations by the Heilongjiang Centre for Animal Disease Prevention and Control. These tests are conducted for both company-raised and farmer-raised cows.

Other tests are also conducted by the Group on the company-raised cows and farmer-raised cows to ensure they are in good health and not suffering from issues like mastitis, acidosis, foot rot and a number of other conditions that can affect cows.

In addition to testing cows, the milk sold by the Group is tested at collection by the Group's laboratory staff and upon delivery by the purchaser to ensure it meets quality standards, including for protein, fat and microbial content.
Milk is also tested for a range of antibiotic and antimicrobial residues to ensure no trace amounts are found. These tests are conducted by the Heilongjiang Entry Exit Inspection and Quarantine Bureau Technical Centre, a local government authority.

3.8.3 Epidemic management

The Group has strict procedures in place to deal with any diseases that are found in company-raised cows and farmer-raised cows. Great care is taken by the Group to treat infectious diseases like bovine tuberculosis and brucellosis by isolating and treating infected cows as soon as they are found to be carriers of the disease.

In cases of infectious diseases, feedlots and breeding areas where infected cows have been kept are thoroughly disinfected and the Group carries out epidemic prevention work to ensure other cows are not infected.

In addition to carrying out responsive epidemic prevention work upon finding diseased cows, the Group also conducts routine epidemic prevention work. This broadly includes:

- daily disinfection of milking facilities and disinfection of milking equipment after each use; and

[7] The regulatory authorities include the Animal Husbandry Bureau, Food and Drug Administration and Road Transport Bureau.
[8] While the Group's customer contracts ask for a minimum fat content of 3.1%, the Group's cows produce milk with a fat content of between 3.1% and 3.5%.

- vaccination of all company-raised cows and farmer-raised cows based on their stage of development and immunisation history.

In the case of death arising from disease, the Group's quality control department will conduct a thorough disinfection program. The affected yard, utensils and facilities are thoroughly disinfected and the dead cow, its secretions and excrement is either burned or buried in an ecologically safe manner. In addition, cows that came into contact with the dead cow are put through an immunisation program.

3.9 Farmland

The Group's farmland is located in the Heilongjiang province which has a humid continental climate. This climate is ideal for the growth of grass, which in turn is essential for the grazing and feeding of the Group's cattle.

Land in China is owned either by the state or by collectives and cannot be sold to individuals or companies. In order to gain access to land, private entities must acquire a land use right (**LUR**) over the particular piece of land. These LURs function like long-term leases over the land, allowing the party to develop on the land based on its designated purpose.

The Group has LURs over a number of tracts of land as detailed in the Table 3 below.

Table 3 – The Group's land use rights

Location	Area of Land (mu)	Area of Land (m^2)	Start of LUR	Expiration of LUR
Qiqihaer, Heilongjiang	25,000	16,666,750 m^2	9 October, 2011	8 October, 2021
Shangzhi, Heilongjiang	642	427,572 m^2	1 March, 2013	28 February, 2063
Qiqihaer, Heilongjiang	375	250,000 m^2	10 May, 2013	9 May, 2063
Harbin, Heilongjiang	357	238,000 m^2	7 May, 2015	6 May, 2045
Harbin, Heilongjiang	425	283,333 m^2	14 May, 2015	13 May, 2045

The Group's production cost of raw milk is affected by price volatility in its raw material costs, including feeding expenses. In response to increasing feed costs, the Group made significant additions to its land holdings under LURs in 2011 so as to enable additional hay production from its grasslands to satisfy part of its raw material demands and lower feeding costs.

The 16,666,750m^2 area of land located in Qiqihaer, Heilongjiang is primarily used to supply grass for the Group's cows. All other areas of land are used by the Group in its dairy farming operation to rear its cows.

3.10 Competitive strengths

3.10.1 Diversified business model

The Group has developed a diverse business model through expanding beyond company-raised cows to farmer-raised and farmer-owned cows. These new methods of milk production have allowed the Group to reduce its production costs and increase gross profit margins while maintaining the quality of milk it sells to its customers.

This puts the Group in a stronger competitive position as not only can it supply a large volume of milk to dairy processors, it can also do it in an efficient manner.

3.10.2 Standard of milk quality

The Group's operations allow it to provide a quality raw milk product which it has achieved through significant investment in its facilities and implementing processes to ensure its cows are healthy and able to produce milk of a standard as required by its customers.

China's dairy industry has had to overcome some major obstacles to ensure that milk producers provide milk that satisfies regulated quality standards. As discovered during the melamine scandal in 2008, formerly milk was being adulterated to increase its apparent protein content in common quality tests used at the time (refer to section 4.2.1 for further details).

The vast majority of farms in China are small operations with herd sizes under 100. These smaller farms also account for a large portion of milk supply in the country. Given the structure of the industry, the government eased the raw milk standards in 2010 so that farmers feeding their herds with low quality feed, which results in lower milk protein levels, would be able to comply with minimum quality standards.

Today, Chinese consumers and dairy processors demand that milk and milk products meet minimum quality standards. The Company believes that, given the sophistication of its operations, it is well placed to meet this demand which will serve as a strong foundation for continued growth of its operations.

3.10.3 Scale of operations

The scale of an organisation's operations in the milk production industry plays a large role in determining its ability to build efficiencies in the milk production process, lower direct costs and produce a high quality product through economies of scale.

In addition, large dairy processors require a large and consistent supply of milk from producers. As such, they tend to favour larger operations like that of the Group that can meet their raw milk demand. This gives the Group an advantage over smaller operations and has enabled it to diversify its business model to include farmer-raised cows and farmer-owned cows to lower production costs and produce a larger milk supply.

3.10.4 Diversified sales and production channels

After many years of developing its sales channels, the Group has formed strong relationships with its customers, all of whom have been purchasing the Group's milk since at least 2012. Having multiple customers allows the Group to spread its operational risk while ensuring a high level of stability in milk sales. In addition, its customers are geographically close to the Group's operations, thereby reducing transportation costs.

At the same time, the Group has stable relationships with farmers who are entrusted to raise the Group's cows. These farmers are provided with the benefit of stable milk prices that are backed by the Group's customer contracts and are thus not exposed to volatility in milk prices. This helps to ensure the interests of the local farmers while benefiting the Group through a consistent and large supply of milk.

3.11 Growth strategy

3.11.1 Geographic expansion

Transportation and storage costs of raw milk in China can make it inefficient and uneconomical to provide milk to purchasers over great distances. To be able to expand its customer base outside of Heilongjiang and grow the Group's market share across China, the Group's management believe that the Group will need to expand its dairy herds into other provinces.

As a first step, the Group intends to explore expanding outside of the Heilongjiang province to neighbouring provinces in the North East region of China. These provinces include Jilin, Liaoning and Inner Mongolia.

As a longer term plan, the Group will also explore moving into the southern provinces of China. Although these provinces are not big milk producers and land is more expensive, the Group believes that farmland in the southern provinces of China offer a number of advantages worthy of further investigation. Sites are less remote, have good supply of water and fodder and are less exposed to disease.

3.11.2 Product diversification

Dairy products are increasingly being consumed in China and local demand is expected to outstrip local supply for the foreseeable future according to the Food and Agriculture Organization of the United Nations. Given this strong demand, the Group will explore diversifying into down-stream markets for processed dairy products as a near-term strategy.

As its first step into down-stream markets, the Group will focus on processed liquid milk for children. The Group has investigated this market segment and believes it offers a strong avenue for diversification of operations in China.

The funds raised by the Offer, as outlined in section 2.16, will largely be used to fund this new business stream and will be directed primarily towards the initial stage of the project, which includes research and development and milk production testing. Once the initial stage is complete, the Group intends to establish a larger-scale production base. The funds raised by the Offer will be applied to fund part of this planned expansion, with a large part of the funding coming from the Group's existing cash reserves.

3.11.3 Acquisitions in Australia and China

While strong emphasis will be placed on continued organic growth, the Group will explore acquisitions of dairy farming and dairy processing operations in both China and Australia as a mid-to-long term strategy.

Within China, the Group will look at dairy farming operations to help expand its geographic reach and market share while also looking for dairy processors that provide a high quality product which the Group believes it will be able to grow throughout the country in line with its product diversification strategy.

Within Australia, the Group's inorganic growth initiatives will be focused on two fronts; exploring the acquisition of dairy processors of high quality products while also searching for dairy farming operations which will allow the Group to improve its farming processes and technologies.

Australia has a strong reputation in global markets as having an advanced dairy industry that produces high quality and safe dairy products. The Chinese milk scandal in 2008 put significant pressure on the Chinese dairy industry and caused consumers in the country to put more trust in products from advanced dairy producing nations like Australia than they do on local products. This provides a good opportunity for the Group to explore acquisitions of, or investments in, dairy product producers in Australia to sell their products to the Chinese market.

As an advanced dairy producing nation, Australia's technological processes in cow breeding and milk production are of a higher standard than those typically found in China. As such, the Group will also explore acquisitions of Australian dairy businesses that possess the processes and technologies that can be applied to the Group's operations in China to improve the efficiency and quality of both milk production and cow breeding.

3.12 Dividend and distribution policy

The Group's focus will be on generating a combination of regular income from business operations and capital growth from the appreciation in value of the underlying assets of prime dairy farms in China.

Subject to the Group achieving its targets for the half-year ending 31 December 2015, the Company intends to pay an interim dividend to its Shareholders when the Group's half year results are announced in February 2016.

For the financial year ending 30 June 2016, it is the intention of the Company to pay a dividend of between 12 and 15 percent of the net profit after tax generated by the Group.

No assurances can be given by the Company to the payment of future dividends as this will depend on, amongst other things, the general business environment, the Group's level of profitability, the Group's funding requirements and the Group's financial and taxation position at the time.

Pursuant to the current PRC Company Law, the PRC companies in the Group are required to transfer 10% of their profit after tax to a statutory reserve until the surplus reserve balance reaches 50% of its registered capital. For the purposes of calculating the transfer to this reserve, the net profit after tax will be the amount determined under PRC accounting standards. The ability of a PRC company to pay dividends is also subject to regulations in the PRC. For further information see 'Government control of currency conversion' and 'Tax treaty benefits' under section 6.3.

The Company is not likely to be subject to any tax that will allow it to generate franking credits. Please refer to section 10.11 for further information.

4 INDUSTRY OVERVIEW

4.1 Overview

The Group is a participant in the dairy farming industry in China's Heilongjiang province, where it produces and sells raw milk to dairy processors.

Milk has high nutritional value and is consumed widely in China. Milk has also been promoted by the Chinese government which has supported the industry from both the supply and demand sides.

Milk production has increased significantly in China to satisfy the country's growing demand for dairy products over the last few decades. However, in recent years this growth has been impacted by a number of factors, including a restructure of the industry following the 2008 milk scandal and more recently, a rise in the input costs of milk production which has resulted in some participants leaving the industry.

Whilst the events in recent years have caused some volatility in milk production growth, milk production is nevertheless expected to continue to grow in response to China's growing demand for dairy products. However, future growth is expected to be slower than what was experienced over the last decade.

4.2 Background of the China's dairy industry

In 1949, when the People's Republic of China (**PRC**) was formed, the country only had approximately 120,000 dairy cows. From 1949, the Chinese dairy farming industry developed gradually at a relatively low growth rate. Between 1949 and 1978, the total dairy cow stock grew at a compounded annual growth rate (**CAGR**) of approximately 4.9% per annum and totalled approximately 480,000 dairy cows by the end of the period. During the same period, the volume of milk produced grew from 210,000 tonnes to 970,000 tonnes, representing a CAGR of approximately 5.4% over the period.

In 1978, the leadership in the PRC embarked on a major program of economic reform. After years of state control over productive assets, the new PRC leadership encouraged the formation of rural enterprises and private businesses.

Since 1978, through gradual economic and agricultural reforms, China has strengthened its support for the dairy industry and the market demand for dairy products has seen rapid growth. By 2006, the total number of dairy cows had grown to over 9 million and during this period, annual milk output had grown to approximately 32 million tonnes.

4.2.1 Chinese milk scandal of 2008

In 2008, the Chinese authorities uncovered that milk was being adulterated with melamine[9] to improve its apparent quality in tests that checked for the milk's protein content. Melamine is rich in nitrogen and one of the standard tests used to check the protein level of milk at that time measured nitrogen content.

Market demand was growing quickly in the years leading up to 2008 and some industry participants began to increase the volume of raw milk by producing watered down raw milk. However, the dilution of raw milk with water also diluted the protein content, so melamine was added to try and raise the apparent level of protein in the milk when tested using standard testing procedures at the time.

Melamine adulterated milk was used predominantly in processed dairy products with powdered infant formula being affected to the greatest extent. By December 2008, approximately 294,000 cases of children being affected by melamine had been reported with almost 52,000 hospitalisations and 6 deaths according to the Chinese Ministry of Health.

[9] Melamine is a chemical compound with many industrial uses, including the production of plastics, adhesives, dishware and other manufactured products.

The event had a material impact on the dairy industry in China and led to a significant loss of consumer confidence in Chinese made milk products. Over 20 Chinese dairy product companies, including well-known brands, were found to have powdered infant formula that tested positive for melamine. China's dairy product exports also suffered with many countries banning imports across a range of products from China immediately after the scandal was uncovered.

The Chinese government took immediate steps to mitigate the effects of the tainted products through a range of measures including:

- removing an inspection exemption policy given to large producers with a long standing quality record that exempted them from quality inspections;
- confiscating and destroying sub-standard products;
- implementing tighter controls over how milk-yielding animals are bred, how raw milk is purchased and the production and sales of dairy food; and
- providing free screening and treatment for affected children.

4.2.2 Current environment

Over recent years, the Chinese government has established and implemented a number of policies and initiatives to support the future development of the dairy farming industry and control quality in light of the 2008 milk scandal. These include:

- strengthening the regulatory framework and quality controls in the dairy industry while increasing the government's monitoring capabilities;
- incentivising farmers to use superior cow breeds for milk production to help improve milk quality and yields;
- implementing initiatives to gradually transition the industry away from producing the majority of its milk from small, backyard farms; and
- providing subsidies to farmers to increase the health and productive capabilities of dairy cows.

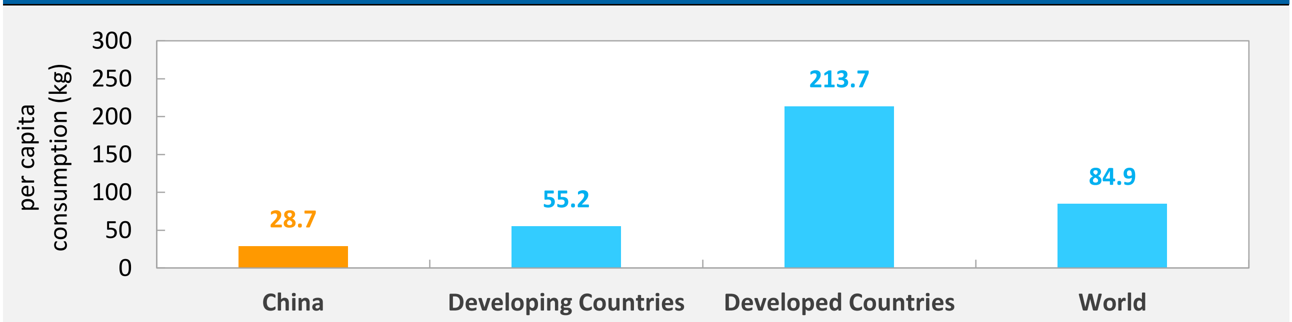
While the milk scandal had a significant negative effect on the dairy industry in China, it has begun to recover and resulted in the restructuring and transformation of the industry.

4.3 The milk production industry in China

4.3.1 Industry maturity

According to the Food and Agricultural Organization of the United Nations (**FAO**), milk consumption in China is relatively low when compared to the rest of the world. As shown in Chart 1 below, per capita milk consumption in China was only 28.7 kg in 2007. This is well below the average across developing countries (which then included China), developed countries and the world as a whole. A similar consumption pattern can also be seen in other dairy products like butter, cheese and cream.

Chart 1 – Per capita consumption of milk in 2007



Source: FAO

According to a collaborative report by the Organisation for Economic Development (**OECD**) and the FAO, the consumption of dairy products in China is expected to increase by 38% over the 10 years to 2022. Over the same period, it is also anticipated that imports of dairy products will increase by 60%.

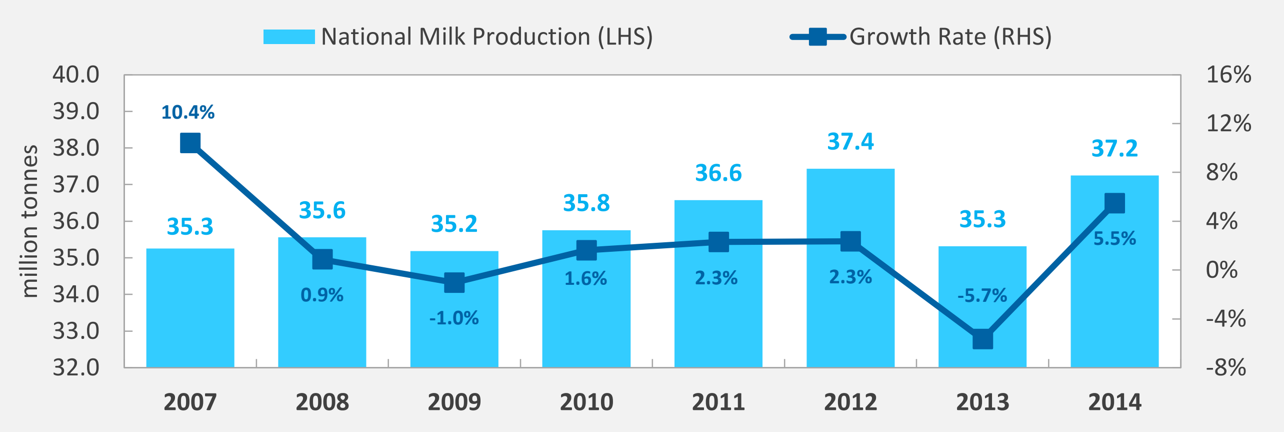
4.3.2 Milk production in China

Growth in milk production has been relatively low since 2008 when compared to the previous decade, which saw a large increase in production with a CAGR of approximately 18.3% between 1998 and 2008.

According to the joint report by the OECD and the FAO, the low growth in milk production since 2008 is due to the reform of the production-processing chain following the Chinese dairy scandal of 2008 and a large increase in the direct costs of milk production.

Between 2008 and 2014, raw milk prices in China grew rapidly from USD 0.46/kg to 0.68/kg. While higher milk prices would usually benefit milk producers, the increase was driven by a combination of rising feed costs and a rise in labour and land costs which placed significant margin pressure on producers. These factors led to a number of farmers abandoning milk production and cow stocks fell rapidly by approximately 10% in 2013, resulting in a fall in milk production levels (see Chart 2).

Chart 2 – Milk production in China: 2007 to 2014



Source: National Bureau of Statistics of China

4.3.3 Milk production in Heilongjiang

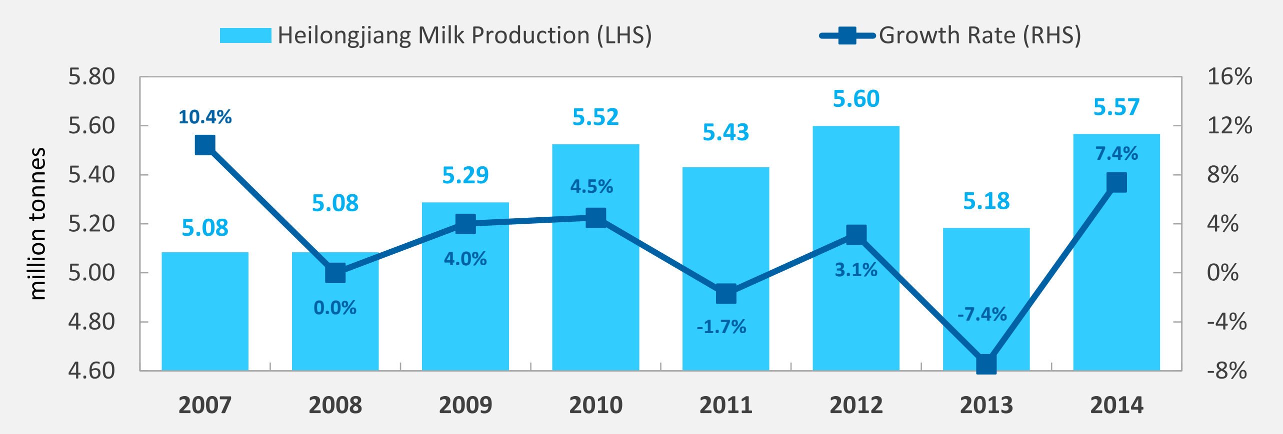
Heilongjiang has a major dairy cattle husbandry industry, which is attributable to a number of factors, including:

- farmland availability (almost twice as high in terms of per capita availability than the national average); and
- labour resources and low wages as the vast majority of the population are engaged in agricultural activities.

In terms of milk production, the province ranks second in China, behind Inner Mongolia (see Table 4).

Like the dairy farming industry at the national level, the milk production industry in Heilongjiang faced similar issues at the provincial level which can be seen reflected in the decreased milk production in 2013 (see Chart 3).

Chart 3 – Milk production in Heilongjiang: 2007 to 2014



Source: National Bureau of Statistics of China and 2014 Heilongjiang Province Dairy Development Report

4.3.4 Raw materials supply

Currently, the dairy farming industry relies predominantly on roughages and concentrated feed as its principal feed sources. Roughages are feeds high in fibre and low in energy like crop straws and grass. Concentrated feed supplements the roughage in feed with concentrates like grains and oilseeds to provide feed with higher energy and protein content.

While roughages are widely used, concentrated feed has the highest benefit as it increases the milk yield of dairy cows. However, the main component for concentrated feed, maize, has been in short supply in recent years with the country having to turn to imports to satisfy demand.

Ingredients used in producing high protein meals, like oilseeds, also face the same issues with a large gap between local supply and demand that needs to be bridged through imports. Soybean, a common ingredient in creating oilseed meals, makes up the large majority of the country's oilseed imports with imports almost tripling over the last decade.

4.4 Competitive environment

4.4.1 Geographic concentration

China's dairy farming regions are dispersed across all provinces, however, the northern and eastern regions are larger milk producers due to, amongst a number of reasons, the large availability of farmland and low labour costs. In 2013, the milk production of Inner Mongolia, Heilongjiang, Hebei, Henan, Shandong and Shaanxi accounted for approximately 70% of the country's total output as shown in Table 4 below.

Table 4 – Raw milk output by top 6 milk producing provinces in 2013

Province	Raw milk output in 2013 (million tonnes)	Percentage of China's raw milk output in 2013
Inner Mongolia	7.67	21.7%
Heilongjiang	5.18	14.7%
Hebei	4.58	13.0%
Henan	3.16	9.0%
Shandong	2.71	7.7%
Shaanxi	1.41	4.0%
Total	**24.71**	**70.0%**

Source: National Bureau of Statistics of China

4.4.2 Industry concentration

Before the reforms that started to be implemented in the 1970's, dairy farming was not open to small household farmers or individuals, as the industry was limited to large state-owned or commune-owned dairy farms. After these restrictions were removed the number of smaller operations increased significantly. The industry is now dominated by these smaller operations as can be seen by the numbers presented in Table 5 below.

Table 5 – Number of farms by herd size: 2007 to 2010

Herd size	2007	2008	2009	2010
1 to 4 cows	2,159,701	1,970,755	1,816,359	1,750,895
5 to 9 cows	295,789	398,744	374,541	345,667
10 to 19 cows	149,106	143,358	138,265	138,246
20 to 49 cows	42,079	51,804	49,490	49,450
50 to 99 cows	14,175	13,842	13,685	14,758
100 to 199 cows	4,421	4,425	4,324	4,640
200 to 499 cows	2,336	2,679	3,341	3,579
500 to 999 cows	768	1,026	1,773	2,061
Over 1,000 cows	339	454	706	898
Total	**2,668,714**	**2,587,087**	**2,402,484**	**2,310,194**

Source: Ministry of Agriculture of the People's Republic of China

In the last 50 years, the trend in developed countries with mature farming industries has been towards bigger herd sizes. The principal reason for this trend has been the objective to achieve higher productivity through adopting technological innovations, which requires larger herd sizes to be profitable.

While the scale of dairy farms in China is lagging behind the scale of operations in developed countries, between 2007 and 2010 the number of larger milk production enterprises in China grew with a corresponding decrease in smaller operations.

4.4.3 Major dairy enterprises in China

As presented in Table 5, the Chinese dairy farming industry is very fragmented with a large number of industry participants. The largest dairy farm operator in China in 2014 accounted for only approximately 2.5% of the country's raw milk output.

Table 6 below shows what the Group believes are China's top 3 raw milk producers and compares them with the Group. As there are only a small number of publicly listed companies and information on other private companies/organisations is not known, the Group is unable to determine its rank in the marketplace.

Table 6 – Top 3 listed Chinese dairy farmers compare to the Group

Rank	Enterprise name	Number of cows in 2014	Sales volume of raw milk in 2014 (thousand tonnes)	Sales revenue of raw milk in 2014 (RMB 100 million)
1	Entity 1	201,507	931.3	46.7
2	Entity 2	103,252	344.7	18.1
3	Entity 3	44,623	230.1	11.6
Unknown	**China Dairy Corporation Limited**	**19,258**	**88.7**	**3.1**

The top 3 raw milk producers in China (as set out in Table 6), based on the Group's current understanding of the Chinese milk production market, together accounted for approximately 4.0% of the country's raw milk output in 2014.

4.4.4 Competitors in Heilongjiang province

Much like the dairy farming industry at a national level, Heilongjiang's provincial dairy farming industry is also highly fragmented. However, according to the Ministry of Commerce of the PRC, there were more than 2,100 farms with herd sizes of over 100 in 2013. These farms accounted for 40% of the province's total cow stocks suggesting that these larger scale farms are becoming more common in Heilongjiang province.

China's third largest raw milk producer has its main base of operations in Heilongjiang with over 31,000 dairy cows across 5 farms in the province (the remainder of the company's cows are located in Jilin province).

Due to the lack of public information about the scale of dairy farming operations in China, it is difficult to determine the number and quality of the Group's principal competitors. The Group believes there are a number of other organisations of its scale and level of production in Heilongjiang, including a number of cooperatives, three private operations and a state-owned enterprise.

4.4.5 Competitive factors

Scale of operations	Higher productivity can be achieved by adopting technological innovation in both the production and rearing processes. However, this requires larger herd sizes to be profitable and is thus typically available only to larger scale operations. Scale enables producers to improve the degree of mechanisation in production, while cutting down on labour costs and increasing production. It can also allow the producer access to better resources to manage cow breeding, epidemic prevention and quality control.
Breeding management technology	Under the right feeding and management conditions, cows expend little energy allowing them to conserve their energy for milk production and provide a higher economic benefit to the dairy farm. Conversely, cows under poor feeding and management conditions will have less energy to utilise for milk production, leading to a lower yields and economic benefit. Different dairy farms employ different management methods which can affect the economic benefits extracted from their herds.
Feed structure and composition	Up to 70% of the direct costs for rearing dairy cows can be attributed to feed. This cost can vary greatly depending on the composition of feed used. Roughage appears to be especially important as its quality directly affects the cow's level of milk production and milk quality. The composition of feed has a strong relationship with scale of the dairy farming operation. Due to costs, small dairy farming operations generally only feed their cows relatively lower quality feed using corn straw as the roughage. They also typically do not have the experience to optimise other components of the feed, resulting in lower milk production and milk quality. Larger dairy farming operations use a much smaller amount of corn straw, substituting it with higher quality ingredients, like corn silage, that improve the milk yield and milk quality of dairy cows.
Environmental health and epidemic prevention	Smaller scale operations are usually constrained by plot size which can lead to a number of issues including appropriate waste management. On smaller pastures, cow manure and urine can be difficult to manage and can act as breeding grounds for microorganisms and parasites. These can lead to higher instances of diseases

	like mastitis that increase healthcare costs and lower the economic benefit for dairy farmers. In addition, the odour and harmful gasses from cow waste add to air pollution. On larger scale farms, these issues are easier to manage and allow for better control over cow health and environmental pollution.
Technical knowledge	A high level of technical knowledge is required to run an efficient and productive dairy farming operation, especially at larger scales. Each process in breeding, rearing, feeding, feed composition and epidemic prevention must not only be undertaken in line with applicable laws, regulations and standardised processes, but must also take advantage of the knowledge and techniques accumulated by an organisation over its years of experience in the industry. For a mature organisation, this knowledge is built over years of continual improvement of its processes and techniques by qualified staff and can pose an obstacle for new and less mature participants in the industry.

4.5 Policy environment

4.5.1 Key administrating authorities

At the national level, the dairy farming industry falls primarily under the administration of the Ministry of Agriculture of the People's Republic of China (**MOA**), a ministerial-level department of the State Council. Under the MOA, there are a number of bureaus which operate at both the national and provincial levels and include the Department of Animal Production, the Bureau of State Farms and Land Reclamation and the Veterinary Bureau. These bureaus are responsible for, amongst other things, macro-management of the dairy farming industry and formulating policy.

A separate ministerial-level department to the MOA, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the supervision of product quality and industry standards. This department is also responsible for the inspection and quarantine of animals and animal products imported into China and exported from China.

4.5.2 Regulatory environment

There are a number of laws and standards at the national level that govern the dairy farming industry. Collectively, these are quite broad and cover a range of matters, including cow feeding and rearing, product quality standards, health and quarantine requirements, epidemic prevention and the environmental impact of dairy farming.
The regulatory environment in China aids in the continuing and sustainable development of the dairy industry, controls the manufacturing and operational behaviour of industry participants and ensures the safety and quality of dairy products.

In addition to the laws and standards established at the national level, each local government also adds local features based on the characteristics of the province. For example, Heilongjiang passed the Heilongjiang Province Dairy Regulations in 2004 which covered matters including the standards of milk sales and the acquisition and operation of dairy farms.

4.5.3 Supportive policy environment

Since 2000, the PRC government has actively promoted the growth of the dairy industry in the country with policy initiatives on both the demand and supply sides of the market. However, policies have been focused more towards the supply side of the industry. The policy initiatives also aim at developing the quality, scale and maturity level of the dairy industry.

(a) Subsidies for high quality cow breeds

In order to improve the quality of livestock breeds, the PRC government provided subsidies of RMB 1.2 billion (A$258.51 million) in 2014 to promote the use of high quality breeds of livestock. The policy began in 2005, and for dairy farmers, this currently amounts to a subsidy of RMB 30 (A$6.46) for each insemination for Holstein or Jersey cows, which are seen as high quality cow breeds, and RMB 20 (A$4.31) for other breeds of cows.

(b) Epidemic prevention subsidies

The PRC government subsidises compulsory vaccination and compulsory culling of diseased cattle. The compulsory vaccination covers foot-and-mouth disease (**FMD**) for cattle and is subsidised by the central and local governments and provided to farmers at no cost. With respect to compulsory culling, subsidies are provided to farmers in cases where cattle must be culled to stop the spread of diseases like FMD, tuberculosis and brucellosis.

(c) Support for larger scale farming

In 2014, the central government invested RMB 1 billion (A$215.43 million) to support larger scale dairy farms through subsidies for standardized farm construction with a focus on waste treatment, milking, quality testing and the construction of other supporting facilities. According to the MOA, this policy continued in 2015.

In addition, local governments have their own supportive policies for larger scale farming. For example, Inner Mongolia announced in 2014 that over the following two years, it would provide subsidies to larger farms depending on the amount of livestock they had. This was aimed predominantly at mid-scale standardized farms with subsidies for farms with over 100 cows.

(d) Training for farmers

The MOA has also focused efforts on improving the level of training of smaller scale farming operations. It has organised, through industry institutions like the China Dairy Industry Association, the implementation of initiatives that provide training to dairy farmers on cow rearing and feeding, cleaning and disinfection, epidemic prevention and other farming techniques to improve the quality and safety of raw milk.

4.6 Key trends and drivers

4.6.1 Demand for improved nutrition

Milk has high nutritional value and is a good source of both fat and protein. The fat in milk contains essential fatty acids required by the body and the protein in milk contains all of the essential amino acids, in varying amounts, that the human body cannot synthesize. Milk is also a good source of minerals including calcium and zinc, and vitamins including A and B.

After pasteurisation or sterilization, milk does not need any further processing and can be directly used for human consumption.

Milk and other dairy products are increasingly gaining popularity with consumers in China. The government recognises milk's nutritional value and has promoted dairy products from both the demand and particularly the supply sides.

With current per capita consumption in China significantly lower than average global levels, as presented in Chart 1, the market has good potential for future growth. The Group believes that the expected growth in market demand for dairy products will drive the further development of the dairy farming industry in China.

4.6.2 Technological improvement

As the dairy farming industry matures, so will the level of technology developed and utilised in the production of milk. This technological improvement will cover all areas including breeding, feed, milk quality and epidemic prevention. The industry has made significant advancement in a short amount of time and the technological progress to date has laid a solid foundation for the continued development of the dairy farming industry in China.

4.6.3 Improved feeding technology

The breed of Chinese cows has improved materially and is now close to the level of those in developed nations. Dairy farming operations will import cows from abroad to ensure they have a high quality herd with high milk yields. However, milk yields are still not at the level of developed nations. Currently, small scale farms average 4.5 tonnes of milk per dairy cow annually. The average annual milk yield for large scale Chinese farms is approximately 7 tonnes per dairy cow due to their ability to feed higher quality feed to their dairy cows. In some developed markets, annual milk yields can reach upwards of 10 tonnes of milk per cow. As the industry in China continues to mature, and feeding technology improves, it is expected that milk yields will also rise.

4.6.4 Growth in herd sizes

The total number of dairy farms in China is gradually reducing as can be seen from the figures in Table 5. The number of mid to large scale farms is gradually increasing with a corresponding reduction in the number of smaller scale farms. This shift was in part brought about by the Chinese milk scandal of 2008, which resulted in the introduction of a stricter regulatory framework, increasing production standards and costs and making it difficult for smaller farms to compete with larger farms. The share of production from larger scale farms, those with herd sizes of 500 or more, has grown rapidly since 2008. These farms accounted for 17% of total milk production in 2008 and 27% by 2011.

The PRC government has also encouraged this shift in the industry by incentivising small scale farmers through subsidies to form cooperatives and raise their herds collectively. This approach has been embraced predominantly by companies which have benefited from the government subsidies.

It is expected that the trend away from small scale farms to larger operations will continue as the dairy farming industry in China matures.

4.6.5 Improved quality of roughage

With the improvement of farming techniques and increase in the scale of operations, it will be important that roughage fed to cows is of a high quality. Typically, lower scale farms use simple roughages like crop straws and grass. These types of simple roughages are unable to produce high milk yields in cows and farmers will need to transition to much higher quality roughages produced through ensiling guinea grass, corn stalk, alfalfa and clover. The widespread development of ensiling quality roughages is currently required to increase average milk yields across the industry.

5 BOARD, MANAGEMENT AND CORPORATE GOVERNANACE

5.1 Board of Directors

The Board of the Company has a broad experience base covering agriculture, dairy and corporate transactional businesses. The Board is well positioned to implement the Company's strategic objectives. The following table provides information regarding the Directors, including their ages and positions.

Name	Age	Position	Independence[1]
Mr. Enjia Liu	69	Executive Chairman	No
Mr. Youliang Wang	48	Chief Executive Officer	No
Mr. John James Fick	56	Deputy Chairman and Independent Director	Yes
Mr. David Paul Batten	51	Independent Director	Yes
Mr. Lidong Jiang	70	Independent Director	Yes

Notes: 1. The Company considers that a Director is an independent director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. The Company has also assessed the independence of its Directors regarding the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles.

5.2 Details of Directors

Details of each of the Directors are set out below.

Mr. Enjia Liu	
Role	Executive Chairman
Expertise	Mr. Enjia Liu is the Executive Chairman of the Company and China Modern Agricultural Information, Inc. He possesses a broad base of knowledge and experience in the agriculture industry. Between 1985 and 1991, Mr. Enjia Liu served as the chairman of the Board for Hong Kong Yunli Development (Heilongjiang) Co. Since 1991, Mr. Enjia Liu has served as the chairman and President of Hong Kong Yunli Group. Since 1994, Mr. Enjia Liu has served as a Guest Lecturer and Visiting Professor at the Social Development Institute at Peking University as well as a Visiting Professor at Shenzhen University. Since 1995, Mr. Enjia Liu has been a Guest Researcher with the State Economic System Reform Committee, a Consultant for the Heilongjiang Provincial Government System, as well as the Honorary President of the Chamber of Commerce of the Heilongjiang Province. In 1996, at the National Agricultural Conference, Mr. Enjia Liu proposed the business model for agricultural enterprise, which was published in the People's Forum. Mr. Enjia Liu also established the "Zhongxian Agriculture" theory and the harmonious ecological agricultural practice model which has been implemented in the Heilongjiang Province, winning high praise from State leaders and the State Council. He is advancing the "Zhongxian Agriculture"

	model and business commercialization theory. Mr. Enjia Liu is a Dedicated Researcher of China's economic behaviour and reform, and has served as the director of China's Economic Behaviour Centre since 2007. Mr. Enjia Liu holds a Doctor of Social Science from Beijing University and a Master of Economics from the Heilongjiang Commercial College.
Interests in securities of the Company	At the date of this Prospectus, Mr. Liu holds approximately 2,697,625 Shares indirectly in the Company, representing an interest of 0.42% in the Company's Shares. At the date of this Prospectus, Mr. Liu's wife and son hold approximately 68,526,285 Shares in aggregate, indirectly in the Company, representing an interest of 10.54% in the Company's Shares.

Mr. Youliang Wang	
Role	Chief Executive Officer
Expertise	Mr. Youliang Wang serves as the Chief Executive Officer of the Company and China Modern Agricultural Information Inc. Mr Wang is also the Executive Director of China Modern Agricultural Information, Inc. From 1991 to 1997, Mr. Wang was a staff member of the Tonghua Branch of China Construction Bank. Thereafter, from 1997 to 2006, he was the Founder and General Manager of Tonghua Hongyuan Trading Co., Ltd. From 2006 to 2008, Mr Wang served as the Chief Marketing Officer of Yunnan Nanyao Jiaoxiong Pharmaceutical Co., Ltd. From 2008 to 2010 he served as the Vice President of Guofa Venture Investment Co., Ltd. Mr. Wang graduated from Jilin University with a degree in Finance. Mr Wang is a member of the Nomination and Remuneration Committee of the Company.
Interests in securities of the Company	At the date of this Prospectus, Mr. Wang holds approximately 84,632,999 Shares indirectly in the Company, representing an interest of 13.02% in the Company's Shares.

Mr. John James Fick	
Role	Deputy Chairman and Independent Non-Executive Director
Expertise	Mr. Fick has had 30 years' experience, including in key management roles, in manufacturing and materials businesses, including Boral Ltd. He also serves as the director of Ultima Capital Investments Pty. Ltd. He has experience across many vertical markets, including agriculture, communications, IT, energy, environment, finance/banking, security and transportation. Mr. Fick has held positions including general manager of Strategic Management in large public companies, served as Manager Cable Planning for the first broadband submarine cables with the Overseas Telecommunications Commission, and Technology Director with Aristocrat Leisure Limited during the mid-1990's. Mr. Fick holds an adjunct position at the Institute for Sustainable Futures at the University of Technology Sydney, and has held adjunct positions in Venture Capital at the Macquarie University of Graduate School of Management. He has been a Research Fellow at the Australian National University and the University of New South Wales. Mr. Fick has business

	experience in over 30 countries in advanced technology commercialisation, in structuring joint venture programs, venture capital and the design of research institutes, including many Cooperative Research Centres over the past decade and Australia's National ICT research centre (NICTA). Mr. Fick currently serves as the chairman of Ultima Capital Holdings Pty Ltd. He served as a director of ASX listed Pacific Enviromin Limited from June 14, 2006 to July 3, 2007. He has served as a director of several technology and investment companies, and is an experienced Company Director, having held roles on public sector and public listed organization boards. Mr. Fick is a Fellow of the Australian Institute of Company Directors. Mr Fick is the Chairman of the Audit and Risk Committee of the Company and the Secretary of the Nomination and Remuneration Committee of the Company.
Interests in securities of the Company	Nil

Mr. David Paul Batten	
Role	Non-Executive Director, Independent
Expertise	Mr. David Batten has over 25 years of experience in financial markets with more than half of those years spent in a managerial role. His specialty has been in derivatives where he has experience in the bullion, equities, commodities, foreign exchange and interest rate markets. Mr. Batten has primarily worked for large foreign banking institutions such as Bankers Trust Australia, Goldman Sachs, JBWere and the Republic Bank of New York (both in Sydney and New York) within the corporate arena. Mr. Batten is currently the non-executive chairman of ASX-listed business advisory and enterprise management consulting business, Victor Group Holdings Limited. Mr Batten is the Chairman of the Nomination and Remuneration Committee of the Company and the Secretary of the Audit and Risk Committee of the Company.
Interests in securities of the Company	Nil

Mr. Lidong Jiang	
Role	Non-Executive Director, Independent
Expertise	Mr Jiang holds a Master of Economics from Beijing University. Mr Jiang is the deputy secretary general and executive member of the council in Border Area Economic Society of China. Mr Jiang is also the deputy secretary general and executive member of the council in Heilongjiang Animal Husbandry Economy Society. Mr Jiang is a member of the council in China Animal Husbandry Economy Society. He is the vice president of Rural Development Research Institute in Heilongjiang Province. Mr Jiang is the vice-chairman of Economic Societies in Heilongjiang Province. Mr Jiang is a member of the Scientific Advisory Committee in Heilongjiang Province. Mr Jiang is a member of the Audit and Risk Committee of the Company.
Interests in securities of the Company	Nil

5.3 Services agreements and letters of appointment

5.3.1 Services Agreements – Executive Directors

A summary of the key terms of the Services Agreements with the Company's Executive Directors are set out below.

Name	Details of the Director's Service Agreement
Mr. Enjia Liu *Executive Chairman*	Mr Enjia Liu and the Company entered into an employment agreement on 10 August 2015 which has the following terms: • Mr. Enjia Liu's appointment as Executive Director commencing on 10 August 2015. • Mr.Enjia Liu's appointment will continue for a period of 1 year, when his appointment will be automatically renewed for another one year period unless specifically terminated in accordance with the employment agreement. • The Company may terminate Mr Enjia Liu's appointment by way of: ○ Rotation or re-election; ○ Removal by a resolution of the Board or the Shareholders of the Company; or ○ Other reasons including but not limited to gross misconduct, serious or repeated breaches of the provisions contained in Mr. Enjia Liu's Service Agreement, fraud, criminal convictions or bankruptcy. • Mr. Enjia Liu may resign from his appointment as Executive Director at any time by giving written notice to the Company. • An annual salary of A$40,000 is payable to Mr Enjia Liu by the Company. • Mr Enjia Liu is also entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he serves.
Mr. Youliang Wang *Chief Executive Officer*	Mr Youliang Wang and the Company entered into an employment agreement on 10 August 2015 which has the following terms: • Mr. Wang's appointment as Executive Director commencing on 10 August 2015. • Mr. Wang's appointment will continue for a period of 1 year, when his appointment will be automatically renewed for another one year period unless specifically terminated in accordance with the employment agreement. • The Company may terminate Mr Wang's appointment by way of: ○ Rotation or re-election; ○ Removal by a resolution of the Board or the Shareholders of the Company; or ○ Other reasons including, but not limited to gross misconduct, serious or repeated breaches of the provisions contained in Mr. Wang's employment agreement, fraud, criminal convictions or bankruptcy. • Mr. Wang may resign from his appointment as Executive Director at any time by giving written notice to the Company. • An annual salary of A$40,000 is payable to Mr. Wang by the Company. • Mr Wang is also entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he serves.

5.3.2 Letters of Appointment – Non-Executive Directors

Each of the Company's Non-Executive Directors entered into Letters of Appointment with the Company on 10 August 2015 to serve as Non-Executive Directors. Each of the Letters of Appointment provide that amongst other things, in consideration for their services the Company will pay the following fees to the Non-Executive Directors:

Name	Position	Amount per annum
Mr. John James Fick	Deputy Chairman and Independent Director	A$40,000
Mr. David Paul Batten	Independent Director	A$40,000
Mr. Lidong Jiang	Independent Director	A$40,000

5.4 Management

Ms. Yanyan Liu	
Role	Chief Financial Officer
Expertise	Ms. Yanyan Liu serves as the Chief Financial Officer of the Group. Ms. Liu also serves as the Chief Financial Officer and Chief Accounting Officer of China Modern Agricultural Information, Inc. Ms. Liu has over a decade of experience in accounting and financial management. From 1995 to 2000, she served as a staff member of the Harbin Decorative Advertisement Design Corporation. She also served as a Staff Member of Baixin Shoes Co. Ltd. from 2000 to 2001. She served as a Member of Harbin Caiyun Tradings Company from 2002 to May 2010. Ms. Liu graduated from the Heilongjiang College of Commerce with an accounting degree.

Ms. Pingzhi Liu	
Role	Chief Operating Officer
Expertise	Ms. Pingzhi Liu serves as the Chief Operating Officer of the Group. From 1980 to 1989, Ms. Liu worked in Greater Hinggan Mountains Centre Health Epidemic Prevention Station. Between 1990 and 2005, she served as the office secretary of Heilongjiang Animal Husbandry Bureau. From 2006 to 2014, she served as the deputy director general of the Animal Husbandry Development Office of the Harbin Animal Husbandry Bureau. More recently, since July 2014, Ms. Liu served as director of operations of Zhongxian, and from July 2015 has been serving as the Group's Chief Operating Officer. Ms. Liu is a graduate of the College of Animal Science and Technology, Northeast Agricultural University. Ms. Liu is the sister of Mr Enjia Liu, the Executive Chairman of the Company. Accordingly, she is not a related party of the Company.

Mr. Zhengxin Liu	
Role	Chief Human Resource Officer
Expertise	Mr. Zhengxin Liu serves as the Chief Human Resource Officer of the Group. From 1992 to 1993, Mr. Liu was a sales representative with Yunli Development (Heilongjiang) Co., Ltd. Then, from 1993 to 2005, he served as sales director for Yunli Development (Heilongjiang) Co., Ltd. More recently, from 2005 to 2010, Mr. Liu was the Assistant General Manager of Zhongxian. Since 2008, Mr. Liu has served as the Chief Human Resources Officer for Zhongxian. Mr. Liu holds an accounting degree from Heilongjiang Institute of Economic Management.

5.5 Corporate Governance

The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company.

In conducting business, the Board's objective is to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company's corporate governance principles and policies are structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**ASX Corporate Governance Principles**), which are as follows:

Recommendation 1	Lay solid foundations for management and oversight
Recommendation 2	Structure the board to add value
Recommendation 3	Act ethically and responsibly
Recommendation 4	Safeguard integrity in corporate reporting
Recommendation 5	Make timely and balanced disclosure
Recommendation 6	Respect the rights of security holders
Recommendation 7	Recognise and manage risk
Recommendation 8	Remunerate fairly and responsibly

The following is a summary of policies and procedures that have been adopted by the Company in accordance with the ASX Corporate Governance Principles and lodged with ASIC.

(a) **Board Charter**

The Board Charter sets out the functions and responsibilities of the Board.

(b) **Audit and Risk Committee Charter**

The Audit and Risk Management and Compliance Committee Charter details the role of the internal committee which is to oversee the processes for financial reporting, internal control, financial and non-financial risk management, external audit and monitoring the Company's compliance with laws, regulations and its own policies and evaluating the adequacy of processes and controls established to identify and manage areas of potential risk.

(c) **Nomination and Remuneration Committee Charter**

The Nomination and Remuneration Committee Charter outlines the composition of the committee, its responsibilities, meeting requirements, reporting procedures and duties of the committee.

(d) **Code of Conduct**

The Code of Conduct provides a set of guiding principles which are to be observed by all employees of the Group and addresses matters that are relevant to the Company's legal and ethical obligations to its Shareholders. The policy outlines requirements in respect of the Directors' discharge of their duties, relationships, compliance with laws and ethics, conflicts of interest and confidentiality.

(e) **Share Trading Policy**

The Share Trading Policy sets out the Company's policy with regard to trading in Company securities. The policy applies to all Directors, key management personnel and other employees of the Company and their associates. The policy outlines the general prohibition on insider trading, restrictions on trading, how permission to trade must be sought, what are trading windows and closed periods for trading, and how proposed trading in securities must be notified to the Company.

(f) **Diversity Policy**

The Diversity Policy provides a framework for the Company to set measurable objectives for achieving diversity and sets out the procedures by which the Board can report the progress of these objectives in order to achieve a diverse and skilled workforce.

(g) **Continuous Disclosure and Shareholder Communication Policy**

The Continuous Disclosure and Shareholder Communication Policy sets out how the Company will comply with the continuous disclosure requirements of the ASX Listing Rules and how Shareholders are to be informed of all material developments in respect of the Company.

(h) **ASX Corporate Governance Principles**

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles.

The Company has an Executive Chairman - this is a departure from Recommendation 2.1 of the ASX Corporate Governance Principles for the Company to have an independent chairman. Mr. Enjia Liu has wide experience in all facets of its operations and is the Chairman of the Group's operating companies in China. For these reasons, the Board has decided to appoint Mr. Enjia Liu to guide the Group as its Executive Chairman.

Other than the Company having an Executive Chairman, the Board considers that the Company complies with the ASX Corporate Governance Principles and therefore has no other departures to report.

(i) **Incorporation by reference and obtaining copies**

A copy of the charters, codes and corporate governance policies detailed above are available on the Company's website at www.chinadairyco.com. The Company will also send you a free paper copy of its charters and policies should you request a copy during the Offer Period.

6 RISK FACTORS

6.1 Overview

An investment in the Company will be exposed to a number of risks. Risks that the Directors believe are key risks are described under section 6.2, 6.3 and 6.4.

The key risks are the risks that senior management and the Directors focus on when managing the business of the Group and have the potential, if they occurred, to result in significant consequences for the Group and an investment in it.

There are also risks that are common to all investments in CDIs and which are not specific to an investment in the Company; for example, the general volatility of share prices, including as a result of general economic conditions (including monetary and fiscal policy settings as well as exchange and interest rates) in Australia, China and elsewhere and other events outside the usual course of the Group's business such as acts of terrorism or war.

Investors should note that the occurrence or consequences of some of the risks described in this section of the Prospectus are partially or completely outside the control of the Company, its Directors and senior management. Further, investors should note that this description focuses on the risks referred to above and does not purport to list every risk that the Company may have now or in the future. It is also important to note that there can be no guarantee that the Company will achieve its stated objectives or that any forward looking statements or forecasts contained in this Prospectus will be realised or otherwise eventuate.

Investors should satisfy themselves that they have a sufficient understanding of these matters, including the risks described in this section of the Prospectus, and have regard to their own investment objectives, financial circumstances and taxation position before investing in the Company. If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in CDIs or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional advisor before deciding whether to invest.

6.2 Risks relating to the Company's business and risks relating to the industry in which the Company operates

The risks relating to the Company’s business and risks relating to the industry in which the Company operates are set out below.

Risks relating to the Group's business and risks relating to the industry in which the Company operates	
Risk	**Description of risk**
Risk of fluctuation of milk prices	Milk prices are set by the PRC and global markets depending on the product type and seasonal demand. In recent years, quality of milk and veracity of origin of milk products within the PRC have materially and adversely affected the reputation of domestic PRC milk producers and increased demand for foreign milk in China. In particular, the melamine milk scandal in China in 2008 has had a lasting effect on the reputation of the local PRC dairy industry. As a result of a decrease in demand for domestic PRC milk in the aftermath of the melamine milk scandal, milk prices in the PRC were adversely affected. In addition, even though the Company has contracts in place with fixed prices for the sale of milk (section 9), these contracts can be terminated by either party on short

Risks relating to the Group's business and risks relating to the industry in which the Company operates	
Risk	**Description of risk**
	notice. Changes in milk pricing in the PRC may affect the revenue earned by the Group.
Risk of fluctuation of input costs	The Company is largely dependent on the cost and supply of cattle and feed ingredients, and the selling price of its products is determined by constantly changing and volatile market forces of supply and demand as well as other factors over which we have little or no control. These other factors include: • competing demand for corn for use in the manufacture of ethanol or other alternative fuels; • environmental and conservation regulations; • economic conditions; • weather, including weather impacts on the availability and pricing of corn; • land use costs (refer to section 9 for agreements relating to land use rights); and • cattle diseases. These factors may increase the Company's costs. The Company may not be able to recover these costs from consumers of its products in a timely manner or at all. Cattle prices are cyclical in nature and are affected by the forces of demand and supply of milk on the market. Further, cattle raising costs are largely dependent on the fluctuations of commodity prices for feed ingredients.
Reduction in milk supply	The majority of milk supply arrangements in respect of the farmer-raised cows are not the subject of long term contracts. Therefore, those suppliers can choose to cease supplying the Group at any time or on short notice. This could lead to a reduction in the amount of milk available for sale by the Group. If there was a significant reduction in milk supply in respect of the farmer-raised cows, including as a result of adverse weather conditions, increases in input costs, increased competition of milk supply or other actions or competitors, then this would reduce the Group's ability to manufacture and sell their dairy products. Such circumstances may also adversely impact on the Group's production cost base and return on capital investment. Any of these circumstances may materially adversely affect the Group's revenue, profitability and growth.
Outbreak of animal diseases	An occurrence of serious animal diseases, such as foot-and-mouth disease, or an outbreak of any other epidemic in the PRC may result in: • material disruptions to the Company's operations or the operations of its customers or suppliers; • a decline in the supermarket or food retail industry; or • a decline in economic growth in the PRC and surrounding regions, any of which could have a material adverse effect on the Company's operations and turnover. The Company's facilities or products may be adversely affected by an outbreak of disease, and the market for cattle products in the PRC may decline as a result. The Company's business, operations and financial condition may be materially adversely affected as a result.

Risks relating to the Group's business and risks relating to the industry in which the Company operates	
Risk	**Description of risk**
Product and food safety risk	Milk is a perishable product and improper and/or poor handling and processing can critically affect the safety of the end product. Further, there is a risk of product contamination in the supply, production and storage process by a range of agents or pathogens, including salmonella, E coli and listeria. An incident or threat of product contamination or any other type of food safety incident or the perception that such an incident has occurred may cause considerable reputational damage to the Group from the perspective of its suppliers, customers, the general public and regulators, the loss of contracts for the supply of products and may also result in significant product recall costs, compensation payments and the payment of significant penalties. All of these circumstances may have a material adverse effect on the Group's revenue, profitability and growth. The Group must comply with various health and safety laws in the Heilongjiang province in the PRC. There is a risk that penalties and other liabilities for the violation of health and safety standards may be imposed on the Group and may have an adverse effect on the Group's reputation and its revenue, profitability and growth. As a China based business, the Company may be exposed to a higher risk of product and food safety.
Loss of key customers	The Group could lose key customers due to a range of events including, as a result of failure to renew a contract, weakening of customer relationships or disputes with customers, failure to remedy a contractual breach or comply with health and safety laws and regulations, or occupational health and safety requirements, failure to deliver products on time, consolidation of customers, insolvency of customers, increased competition or lack of milk supply. The Company has contracts in place with 8 customers for the purchase of raw milk. The loss of any one or more of these 8 customers may materially and adversely affect the Group's revenue, profitability and growth.
Risk that the Company's management and key personnel may discontinue their services	The Company's business and future success heavily depends upon the continued services of management and other key personnel. If one or more of the Company's management or key personnel are unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. The Company's business may be severely disrupted, its financial condition and results of operations may be materially adversely affected, and it may incur additional expenses to recruit, train and retain personnel. Two of our most senior and key people include: • Enjia Liu, the Executive Chairman; and • Youliang Wang, the Chief Executive Officer. A summary of their executive services agreements is set out in section 5.
Enforcement of Contracts in Foreign Jurisdictions	The Company and/or its subsidiaries have entered into contracts which are material to its business and governed by the laws of the PRC. Should a contractual dispute result in court action or should the Company be in a position to require the enforcement of the security interests it holds, the procedure in courts in the PRC may be different than in Australia.

Risks relating to the Group's business and risks relating to the industry in which the Company operates	
Risk	**Description of risk**
	As with any contract, there is a risk that the business could be disrupted in situations where there is a disagreement or dispute in relation to a term of the contract. Should such a disagreement or dispute occur, this may have a material adverse impact on the Company's operations and performance generally.
Competition risk/consumption trends/new supply to market	The dairy industry is subject to domestic and global competition. The Group is subject to considerable existing and growing competition in the supply of dairy products. There is the potential for increasing competition from existing and new competitors including through increased internal supply of milk and production of dairy products. Increased competition may be in response to market conditions and the opportunity for competitors to expand their operations and markets, increased demand for dairy products, increased supply in the existing markets or as a result of the actions of markets and government response or the introduction of subsidies or margin protection programs. Increased competition may reduce the volume and/or price of products that the Group is able to sell, which may have a material adverse effect on the Group's revenue, profitability and growth.
Reliance on relationships and alliances	The Group has relationships with government, technical and advisory parties and other stakeholders in the dairy industry. The Group's success, in part, depends upon continued successful relations with these parties. The loss of one or more of these relationships or a change in the nature or terms of one or more of these relationships may have a material adverse impact on the financial position and prospects of the Group.
Payment of dividends	Payment of future dividends will depend on matters such as the future profitability and financial position of the Company, currency exchange rates and the other risk factors set out in this section 6. Whilst the Company has produced net profits for each of the past three financial years as set out in the audited accounts in section 7, there can be no assurance that the Group will achieve profitability in the future and be able to pay dividends. Furthermore, current PRC regulations permit the PRC subsidiaries to pay dividends only out of accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, the PRC subsidiaries are required to set aside a certain amount of its after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not available for distribution as cash dividends.
Operational risk	In recent years, the quality of milk and origin of milk products within PRC have materially and adversely affected the reputation of domestic PRC milk producers generally and increased demand for foreign milk in China. In particular, the melamine milk scandal in China in 2008 had a lasting effect on the general reputation of the PRC dairy industry. Such events could have a material adverse effect on the operations of the Group. In addition, the business of the Group may be affected by various factors which are beyond the control of the Group, such as industry reforms. The Group is dependent on the ongoing, efficient operations of its systems and infrastructure. Risks that may threaten the Group's operations include failure of critical machinery, power, gas, water supply and industrial action.

Risks relating to the Group's business and risks relating to the industry in which the Company operates	
Risk	**Description of risk**
	The operation of a dairy farm involves risks to employees, contractors, livestock and plant and equipment, including the risk of accidents arising from malfunction of equipment, natural disasters, disease and force majeure. Such events may not always be foreseen or insured against and are beyond the control of the Group. The occurrence of such events may result in damage to the operations or reputation of the Group, and may have a material adverse affect on the Group's revenue, profitability and growth.
Global climate condition risk	The quantity and quality of the Group's dairy products may be adversely affected by climate conditions. Any adverse change to climate conditions, in particular, lack of rainfall in the short or long term may impact on the sustainability of milk supply. This may have a material adverse affect on the Group's revenue and profitability.
Environmental risk	Given that the Group is a producer of milk and dairy products, environmental issues relating to noise, air, waste, water, emissions and contamination arise from time to time. The Group is subject to environmental laws and regulations in the Heilongjiang province. The Group may be required to pay compensation costs and penalties as a result of environmental contamination, which could also give rise to breaches of environmental laws and regulations. This could have a material adverse effect on the Group's reputation, revenue and profitability.
Third party risk	The operations of the Group require the involvement of a number of third parties, including suppliers and contractors. Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of the Group.
Insurance risk	The Group insures its operations in accordance with industry practice. However, in certain circumstances, the Group's insurance may not be of a nature or level to provide adequate insurance cover and in some circumstances appropriate insurance cover may not be available or financially viable for certain risks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Group.
Acquisition risk	As part of its business strategy, the Group may from time to time undertake acquisitions of, or significant investments in, complementary companies or prospects in China, Australia or other countries. Any such acquisitions will be subject to the risks commonly encountered in making such acquisitions.
Litigation or claims	The Group may be subject to litigation and other claims or disputes in the course of its business, including employment disputes, contractual disputes, environmental claims, product liability claims and tax claims. Claims may be made by government agencies or regulators in the Heilongjiang province in respect of various matters, including breaches or alleged breaches of legislation. Such litigation, claims and disputes, including the costs of settlings claims and associated penalties, may materially adversely affect the Group's operational and financial performance and reputation.

6.3 Risks relating to doing business in the PRC

The risks relating to doing business in the PRC are detailed below.

Risk relating to doing business in the PRC	
Risk	**Description of risk**
Fluctuations in the economic, political and social conditions of the PRC	Since 1978, the PRC has implemented various reforms to its economic system. As a result of the reforms, the PRC's economy has been growing significantly for the past three decades. However, given the unprecedented and experimental nature of the reforms, they are potentially subject to refinement and changes as the PRC government deems fit. Political, economic and social factors are also expected to play a role in refinement and changes of these policies. The possibility of such refinement and adjustment may consequently have a material impact on the Company's operations in the PRC and in turn its financial performance.
Uncertainties with respect to the PRC legal system could have a material adverse effect on the Group	The PRC legal system is based on written statutes. Since the late 1970s, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in the PRC. The Company conducts its business primarily through its subsidiaries established in the PRC. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in the PRC. However, as the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit the legal protections available to the Group. Further, some regulatory requirements issued by certain PRC Government authorities may not be consistently applied. For example, the Group may have to resort to administrative and court proceedings to enforce a law or contract. However, since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection in the PRC than in other more developed legal systems. These uncertainties may impede the Group's ability to enforce the contracts it has entered into with its business partners, customers and suppliers. Such uncertainties, including the inability to enforce contracts, together with any development or interpretation of PRC law that is adverse to the Group, could materially and adversely affect its business and operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in more developed countries. The Group cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof. These uncertainties could limit the legal protections available to the Group and other foreign investors. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of the Group's resources and management attention.
Government control of currency conversion	The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. The Group receives all of its revenue in RMB. Under existing PRC foreign exchange regulations, payment of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without approval from the PRC State Administration of Foreign Exchange

Risk relating to doing business in the PRC	
Risk	**Description of risk**
	(**SAFE**), by complying with certain procedural requirements. Approval from or registration with appropriate government authorities is required where RMB are to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents the Company from obtaining sufficient foreign currencies to satisfy its foreign currency demands, it may not be able to pay dividends in foreign currencies to the Company's shareholders.
Tax Treaty Benefits	PRC tax law prescribes a withholding tax (WHT) of 10% on dividends and other PRC sourced passive income of PRC non-resident enterprises, unless there is a tax treaty in place which provides otherwise. Pursuant to a treaty between Hong Kong and the PRC effective 21 August 2006, a company incorporated in Hong Kong will be subject to WHT of 5% on dividends it receives from its PRC subsidiary if it holds more than 25% interest in the PRC subsidiary (otherwise the WHT remains at 10%). The State Administrative of Taxation of China (SAT) published a tax notice on 27 October 2009 which provides the tax treaty benefit will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance over form" principle to determine whether or not to grant tax treaty benefits. On this basis the Company (a company incorporated in Hong Kong) should only be subject to 5% WHT on the dividends it receives from its PRC subsidiaries, however this is subject to confirmation from the PRC tax authorities and is not automatically applied. Should confirmation not be provided, then the dividends received by the Company from its PRC subsidiaries would be subject to WHT of 10%.

6.4 Risks relating to the Offer and an investment in CDIs and Shares

The risks related to the Offer and an investment in CDIs and Shares are detailed below.

Risks related to the Offer and an investment in CDIs and Shares	
Risk	**Description of risk**
Exchange rate risks relating to listing on ASX	The Company's reporting currency is US$ and most of its income and expenses are in RMB. The Company is not currently hedging against exchange rate fluctuations, and consequently the Company will be at the risk of any adverse movements between the US$, A$ and RMB exchange rates. The Shares in the form of CDIs will be listed on the ASX and priced in A$. However, the Company's reporting currency is US$ and most of its operational income and expenses are in RMB. As a result, movements in foreign exchange rates may cause the price of the Company's securities and the earnings per Share to fluctuate for reasons unrelated to the Company's financial condition or performance and may result in a discrepancy between the Company's actual results of operations and investors' expectations of returns on the Company's securities expressed in A$.
Risk of oppression of	Immediately after the Offer, the Existing Holders will beneficially own approximately 89.66% of the Company's issued capital assuming that the Minimum Subscription is

Risks related to the Offer and an investment in CDIs and Shares	
Risk	**Description of risk**
minority shareholders	raised and approximately 86.67% assuming the maximum number of CDIs are issued under the Offer. As a result, these Existing Holders, if they act together, would be able to exert a significant degree of influence over the Company's management and affairs and over matters requiring Shareholder approval, including the election of Directors and approval of significant corporate transactions. This concentration of ownership may harm the market price of the CDIs by delaying or preventing a change in control, even if a change is in the best interests of the Company's other Shareholders.
Liquidity and realisation risk	Under voluntary escrow arrangements, those Existing Holders, who hold 78.00% (based on the Maximum Subscription being raised) will not, however, be able to trade their CDIs for a period of between 12 and 24 months commencing from the date of quotation of the Company's securities. Given the number of CDIs restricted from trading, there will only be liquidity with respect to 22.00% of the CDIs (based on the Maximum Subscription being raised) until such time as the Existing Holder's CDIs are released from escrow. The CDIs issued under the Offer will only be listed on ASX and will not be listed for trading on any other securities exchanges in Australia or elsewhere. As such, there can be no guarantee that an active market in the CDIs will develop or continue, or that the market price of the CDIs will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their CDIs. Furthermore, the market price for CDIs may fall or be made more volatile because of the relatively low volume of trading in the Company's securities. When trading volume is low, significant price movement can be caused by trading in a relatively small number of shares.
Country risk and foreign operations	There are risks associated with operating in foreign countries. Country risks include exchange rate risk, economic risk, sovereign risk, political risk and transfer risk. The Company's operating results and financial conditions are highly susceptible to changes in the PRC's political, economic and social conditions as the Company's revenue is currently wholly derived from its operations in the PRC. Given that the Company is incorporated in Hong Kong but its business operations are in the PRC, there is the risk of capital being restricted or frozen by government action. There can be no guarantee that the government regulations in Australia, Hong Kong and the PRC, in particular in relation to foreign investment, repatriation of foreign currency, taxation and the regulation of the dairy industry, will not be amended in the future to the detriment of the Company's business. As the Company is incorporated in Hong Kong, changes in Hong Kong laws may have an adverse effect on non-Hong Kong resident holders of CDIs. Reporting requirements of the Company in Hong Kong may impose more onerous obligations on the Company. Costs of compliance with laws and regulations in Australia and Hong Kong may vary from current estimates.
Changes in economic conditions and consumer sentiment	Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of its assets. Factors which contribute to that general economic climate include: • contractions in the world economy or increases in the rate of inflation; • international currency fluctuations;

Risks related to the Offer and an investment in CDIs and Shares	
Risk	**Description of risk**
	• changes in interest rates; • new or increased government taxes or duties or changes in taxation laws; or • changes in government regulatory policy. The Company's growth and profitability depend on the level of consumer confidence and spending in the PRC. The Company's results of operations are sensitive to changes in overall economic and political conditions that impact the dairy industry. Many factors outside of its control, including interest rates, volatility of the world's stock markets, inflation and deflation, tax rates and other government policies, and unemployment rates can adversely affect the dairy industry. The domestic and international political environments, including military conflicts and political turmoil or social instability, may also adversely affect the dairy industry, which could in turn materially and adversely affect the growth and profitability of the Group.
Stock market fluctuations	There are a number of risks associated with any stock market investment. The price of CDIs may rise or fall in relation to the Offer Price and investors who decide to sell their CDIs, after listing of the Company on the ASX, may not receive the full amount of their original investment. The value of the CDIs will be determined by the stock market and will be subject to a range of factors beyond the control of the Company and its Directors. These factors include movements in local and international stock exchanges, local interest rates and exchange rates, domestic and international economic and political conditions, government taxation, market supply, competition and demand and other legal, regulatory or policy changes.
Provisions of the Company's Articles of Association and Hong Kong Companies Ordinance could make an acquisition of the Company's more difficult	Certain provisions of the Company's Articles of Association and Hong Kong Companies Ordinance could discourage, delay or prevent a merger, acquisition or other change of control that Shareholders may consider favourable, including transactions in which Shareholders might otherwise receive a premium for their CDIs. These provisions could also limit the price that investors might be willing to pay in the future for the CDIs, thereby depressing the market price of the CDIs.

7 FINANCIAL INFORMATION

7.1 Introduction

This Section details the Historical Financial Information and Pro Forma Financial Information of the Company and its controlled entities (collectively, the Financial Information). The basis for preparation and presentation is detailed below.

The Financial Information was prepared by management and was adopted by the Directors. The Directors are responsible for the inclusion of all Financial Information in this Prospectus. Hall Chadwick has prepared an Investigating Accountant's Report in respect of the Financial Information. A copy of the report, together with an explanation of the scope of Hall Chadwick's work, is in Section 8.

The Company was incorporated in Hong Kong on 12 January 2015 and acquired Value Development Holdings Limited ("VDH") in August 2015. As described in sections 3.2 and 3.3 of the Prospectus, VDH, through a number of subsidiaries owns the operating companies of the Group.

The majority shareholder of the Company is China Modern Agricultural Information, Inc. (**"CMCI"**), a US based holding company listed on OTC Markets under the ticker symbol "CMCI" (refer to sections 3.2 and 3.3 for further details). Prior to August 2015, VDH was wholly owned by CMCI. The historical financial information illustrates the financial performance of the Company if it had owned VDH from 1 July 2012.

The historical financial information has been extracted from the audited financial accounts of CMCI, which have been subject to an annual audit by Wei Wei & Co LLP, based in New York, United States.

The historical financial information has been prepared in accordance with generally accepted accounting principles adopted by the US Securities and Exchange Commission (**"US GAAP"**) in line with CMCI's listing on the OTC Market. The Company intends to continue reporting in accordance with US GAAP.

The Historical and Pro-Forma Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

The Historical Financial Information and Pro-Forma Financial Information below is based on past performance, and is not a guide to future performance.

7.2 Historic Financial Information

The Historical Financial Information for the Company and its controlled entities in this Section 7 comprises:

(a) audited Notional Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Company and its controlled entities, for the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015;

(b) audited Notional Consolidated Statement of Financial Position of the Company and its controlled entities as at 30 June 2015; and

(c) selected notes to the above information,

(collectively the **Historical Financial Information**)

7.3 Pro-Forma Financial Information

The Pro-Forma Financial Information for the Company and its controlled entities (following the completion of the Offer) on the following pages comprises:

(a) the unaudited Pro-Forma Consolidated Statement of Financial Position of the Company and its controlled entities, as at 30 June 2015, which assumes completion of the Offer and includes certain other pro-forma transactions as detailed in the accompanying notes; and

(b) selected notes to the above information,

(collectively the **Pro-Forma Financial Information**)

7.4 Foreign currency conversion

The currency conversions from US$ to A$ in the Financial Information presented in section 7.5 have been converted using US$ to A$ exchange rates as outlined in the table below:

US$ to A$ exchange rate	30 June 2013	30 June 2014	30 June 2015
Average exchange rate for the financial year ending 30 June (used for the Notional Consolidated Statement of Profit or Loss and Other Comprehensive Income)	0.9736	1.0885	1.1930
Spot exchange rate for the financial year as at 30 June (used for the Notional Consolidated Pro-Forma Statements of Financial Position)	n/a	n/a	1.3021

7.5 Financial Information

7.5.1 Historical Notional Consolidated Statements of Profit or Loss and Other Comprehensive Income

Summarised below is the Company's Notional Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 (in both US$, and AU$). The Notional Consolidated Statement of Comprehensive Income illustrates what the financial performance of the Company would have been had it owned VDH from 1 July 2012.

(a) Notional Consolidated Statement of Profit or Loss and Other Comprehensive Income presented in US$

	Notional Actual	Notional Actual	Notional Actual
	30 June 2013	30 June 2014	30 June 2015
	US$	US$	US$
Revenues			
Milk sales	34,093,893	46,577,224	48,441,505
Sales commissions	12,672,388	12,176,030	17,893,661
Total revenues	**46,766,281**	**58,753,254**	**66,335,166**
Cost of goods sold	(17,242,365)	(21,544,372)	(20,229,296)
Gross profit	**29,523,916**	**37,208,882**	**46,105,870**
Operating expenses			
Selling and marketing	(794,350)	(764,176)	(1,146,798)
General and administrative	(489,049)	(879,976)	(783,468)
Total operating expenses	**(1,283,399)**	**(1,644,152)**	**(1,930,266)**
Net operating income	**28,240,517**	**35,564,730**	**44,175,604**
Other income and expenses			
Interest income on notes receivable	664,327	537,737	618,263
Gain (loss) on disposal of non-current assets	(1,965)	1,031	(1,104,345)
Government subsidies	191,677	-	-
Other non-operating income	151,874	149,185	226,543
Net other income and expenses	**1,005,913**	**687,953**	**(259,539)**
Income before provision for income taxes	29,246,430	36,252,683	43,916,065
Provision for income taxes	(7,392,914)	(9,446,671)	(10,968,816)
Net income before non-controlling interests	**21,853,516**	**26,806,012**	**32,947,249**
Non-controlling interests	(213,796)	(285,569)	(355,982)
Net income attributable to common stockholders	**21,639,720**	**26,520,443**	**32,591,267**
Other comprehensive income			
Foreign currency translation adjustment	1,268,350	874,250	560,995
Total comprehensive income	**22,908,070**	**27,394,693**	**33,152,262**

(b) Notional Consolidated Statement of Profit or Loss and Other Comprehensive Income presented in A$

	Notional Actual 30 June 2013 A$	Notional Actual 30 June 2014 A$	Notional Actual 30 June 2015 A$
Revenues			
Milk sales	33,194,986	50,700,025	57,791,805
Sales commissions	12,338,273	13,253,796	21,347,540
Total revenues	**45,533,259**	**63,953,821**	**79,139,344**
Cost of goods sold	(16,787,759)	(23,451,380)	(24,134,005)
Gross profit	**28,745,499**	**40,502,440**	**55,005,339**
Operating expenses			
Selling and marketing	(773,406)	(831,817)	(1,368,156)
General and administrative	(476,155)	(957,867)	(934,695)
Total operating expenses	**(1,249,561)**	**(1,789,685)**	**(2,302,851)**
Net operating income	**27,495,938**	**38,712,756**	**52,702,489**
Other income and expenses			
Interest income on notes receivable	646,812	585,335	737,602
Gain (loss) on disposal of non-current assets	(1,913)	1,122	(1,317,508)
Government subsidies	186,623	-	-
Other non-operating income	147,870	162,390	270,271
Net other income and expenses	**979,391**	**748,847**	**(309,636)**
Income before provision for income taxes	28,475,329	39,461,603	52,392,853
Provision for income taxes	(7,197,995)	(10,282,847)	(13,086,044)
Net income before non-controlling interests	**21,277,334**	**29,178,756**	**39,306,809**
Non-controlling interests	(208,159)	(310,846)	(424,695)
Net income attributable to common stockholders	**21,069,175**	**28,867,910**	**38,882,114**
Other comprehensive income			
Foreign currency translation adjustment	1,234,909	951,635	669,280
Total comprehensive income	**22,304,084**	**29,819,545**	**39,551,394**

7.5.2 Historical and Pro-Forma Statement of Financial Position

The Pro-Forma Statements of Financial Position detailed below (in both US$, and AU$) has been prepared to illustrate the effect of the Offer and assumes completion of certain other pro-forma transactions as if they had occurred on 30 June 2015.

The Notional Consolidated Pro-Forma Statements of Financial Position have been prepared to demonstrate the impact of a capital raising pursuant to this Prospectus of A$15.0 million and A$20.0 million (i.e. presented in two separate columns).

The Notional Consolidated Pro-Forma Statements of Financial Position have been based on the audited consolidated balance sheet of CMCI as at 30 June 2015, representing a consolidation of only the trading entities of VDH acquired by the Company. The Company has confirmed that no further pro-forma adjustments are required to reflect the acquisition of VDH.

(a) Notional Consolidated Actual and Pro-Forma Statements of Financial Position presented in US$

	Notional Actual	Notional Pro-Forma Consolidated	
		A$15 million raised	A$20 million raised
	30 June 2015	30 June 2015	30 June 2015
	US$	US$	US$
Assets			
Current Assets			
Cash	54,145,781	63,557,221	66,915,618
Accounts receivable	7,490,501	7,490,501	7,490,501
Inventories	759,628	759,628	759,628
Prepayments	898,905	898,905	898,905
Interest receivable	182,422	182,422	182,422
Notes receivable	2,739,302	2,739,302	2,739,302
Total Current Assets	**66,216,539**	**75,627,979**	**78,986,376**
Non-Current Assets			
Property, plant and equipment	6,950,302	6,950,302	6,950,302
Notes receivable	7,092,206	7,092,206	7,092,206
Prepayments	54,257,040	54,257,040	54,257,040
Biological assets	38,603,586	38,603,586	38,603,586
Total Non-Current Assets	**106,903,134**	**106,903,134**	**106,903,134**
Total Assets	**173,119,673**	**182,531,113**	**185,889,510**
Liabilities			
Current Liabilities			
Accrued expenses and other payables	593,766	593,766	593,766
Related party loans	937,524	937,524	937,524
Total Current Liabilities	**1,531,290**	**1,531,290**	**1,531,290**
Non-Current Liabilities			
Deferred income taxes	41,806,633	41,806,633	41,806,633
Total Non-Current Liabilities	**41,806,633**	**41,806,633**	**41,806,633**
Total Liabilities	**43,337,923**	**43,337,923**	**43,337,923**
Net Assets	**129,781,750**	**139,193,190**	**142,551,587**
Equity			
Issued and paid-up capital	5,904,270	15,315,710	18,674,107
Reserves	792,174	792,174	792,174
Retained earnings	117,035,653	117,035,653	117,035,653
Non-controlling interests	1,276,773	1,276,773	1,276,773
Foreign currency translocation reserve	4,772,880	4,772,880	4,772,880
Total Equity	**129,781,750**	**139,193,190**	**142,551,587**

(b) Notional Consolidated Actual Statement of Financial Position presented in US$ and Pro-Forma Statements of Financial Position presented in A$

	Notional Actual	Notional Pro-Forma Consolidated	
		A$15 million raised	A$20 million raised
	30 June 2015	30 June 2015	30 June 2015
	US$	A$	A$
Assets			
Current Assets			
Cash	54,145,781	82,756,798	87,129,711
Accounts receivable	7,490,501	9,753,257	9,753,257
Inventories	759,628	989,099	989,099
Prepayments	898,905	1,170,449	1,170,449
Interest receivable	182,422	237,529	237,529
Notes receivable	2,739,302	3,566,799	3,566,799
Total Current Assets	**66,216,539**	**98,473,931**	**102,846,844**
Non-Current Assets			
Property, plant and equipment	6,950,302	9,049,872	9,049,872
Notes receivable	7,092,206	9,234,643	9,234,643
Prepayments	54,257,040	70,647,188	70,647,188
Biological assets	38,603,586	50,265,086	50,265,086
Total Non-Current Assets	**106,903,134**	**139,196,789**	**139,196,789**
Total Assets	**173,119,673**	**237,670,720**	**242,043,633**
Liabilities			
Current Liabilities			
Accrued expenses and other payables	593,766	773,133	773,133
Related party loans	937,524	1,220,734	1,220,734
Total Current Liabilities	**1,531,290**	**1,993,867**	**1,993,867**
Non-Current Liabilities			
Deferred income taxes	41,806,633	54,435,720	54,435,720
Total Non-Current Liabilities	**41,806,633**	**54,435,720**	**54,435,720**
Total Liabilities	**43,337,923**	**56,429,587**	**56,429,587**
Net Assets	**129,781,750**	**181,241,133**	**185,614,046**
Equity			
Issued and paid-up capital	5,904,270	19,942,331	24,315,244
Reserves	792,174	1,031,477	1,031,477
Retained earnings	117,035,653	152,390,173	152,390,173
Non-controlling interests	1,276,773	1,662,465	1,662,465
Foreign currency translocation reserve	4,772,880	6,214,688	6,214,688
Total Equity	**129,781,750**	**181,241,133**	**185,614,046**

7.5.3 Cash and cash equivalents adjustments to the Notional Consolidated Pro-Forma Statements of Financial Position

(a) A$15.0 million raised pursuant to the Offer

	Notional Pro-Forma Consolidated 30 June 2015 US$	Notional Pro-Forma Consolidated 30 June 2015 A$
Current Assets		
Cash	63,557,221	82,756,798
The movements in cash at bank are as follows:		
Actual – 30 June 2015	54,145,781	70,502,319
Issue of Shares pursuant to the Offer	11,520,000	15,000,000
Estimated total costs related to the Offer	(2,108,560)	(2,745,521)
Cash	**63,557,221**	**82,756,798**

(b) A$20.0 million raised pursuant to the Offer

	Notional Pro-Forma Consolidated 30 June 2015 US$	Notional Pro-Forma Consolidated 30 June 2015 A$
Current Assets		
Cash	66,915,618	87,129,711
The movements in cash at bank are as follows:		
Actual – 30 June 2015	54,145,781	70,502,319
Issue of Shares pursuant to the Offer	15,360,000	20,000,000
Estimated total costs related to the Offer	(2,590,163)	(3,372,608)
Cash	**66,915,618**	**87,129,711**

7.5.4 Issued capital adjustments to the Notional Consolidated Pro-Forma Statements of Financial Position

(a) A$15.0 million raised pursuant to the Offer

	Notional Pro-Forma Consolidated	Notional Pro-Forma Consolidated
	30 June 2015	30 June 2015
	US$	A$
Equity		
Issued and paid-up capital		
Shares	15,315,710	19,942,331
Movements during the period:		
Ordinary issued and paid-up share capital	5,904,270	7,687,852
Shares pursuant to the Offer	11,520,000	15,000,000
Additional issued capital in lieu of IPO fees	253,440	330,000
Estimated total costs relating to the Offer	(2,362,000)	(3,075,521)
Issued and paid-up capital	**15,315,710**	**19,942,331**

(b) A$20.0 million raised pursuant to the Offer

	Notional Pro-Forma Consolidated	Notional Pro-Forma Consolidated
	30 June 2015	30 June 2015
	US$	A$
Equity		
Issued and paid-up capital		
Shares	18,674,107	24,315,244
Movements during the period:		
Ordinary issued and paid-up share capital	5,904,270	7,687,852
Shares pursuant to the Offer	15,360,000	20,000,000
Additional issued capital in lieu of IPO fees	337,920	440,000
Estimated total costs relating to the Offer	(2,928,083)	(3,812,608)
Issued and paid-up capital	**18,674,107**	**24,315,244**

7.6 Pro-Forma Financial Information

The financial information contained in this Prospectus has been prepared in accordance with US GAAP which is different to the Australian equivalents to International Financial Reporting Standards (**"IFRS"**), the accounting principles generally accepted in Australia. The Company intends to continue reporting in accordance with US GAAP.

The Directors have therefore reviewed the differences between US GAAP and IFRS in the Company's most recent audited statements of financial position as at 30 June 2013, 30 June 2014 and 30 June 2015, which also form the basis of the historical and pro-forma statements of financial position in Section 7.4. Material differences identified between US GAAP and IFRS applicable to the Company are outlined below.

The following table summarises the effect on net profit after tax and net assets of the differences between US GAAP and IFRS.

	Notional Actual 30 June 2013 US$	Notional Actual 30 June 2014 US$	Notional Actual 30 June 2015 US$
Consolidated Statements of Profit or Loss and Other Comprehensive Income			
Net profit as reported under US GAAP	21,639,720	26,520,443	32,591,267
Items having an effect of increasing (decreasing) reported income			
(i) Fair value adjustments on biological assets	(1,555,287)	2,265,697	(5,538,143)
Related income tax expense	388,822	(566,424)	1,384,536
(ii) Cost of goods sold	1,449,998	1,947,156	1,961,300
Related income tax expense	(362,499)	(486,789)	(490,325)
Net profit according to IFRS	**21,560,753**	**29,680,083**	**29,908,635**
Adjustments to determine other comprehensive income under IFRS (net of tax)			
(i) Foreign currency translation reserve adjustment	22,530	6,919	7,037
Total comprehensive income according to IFRS	**21,583,283**	**29,687,002**	**29,915,672**
Consolidated Statements of Financial Position			
Net assets as reported under US GAAP	68,593,244	96,273,506	129,781,750
Adjustments			
(i) Biological assets	83,156	(4,217,830)	3,572,554
(ii) Deferred income taxes	(26,719)	1,051,271	(896,959)
Net assets as reported under IFRS	**68,649,681**	**93,106,947**	**132,457,345**

For US GAAP purposes, the biological assets are measured at the lower of cost and market. Adjustments have been made to reverse the recognition of the accumulated depreciation under US GAAP and reacquire the biological assets at fair value less costs of disposal under IFRS.

7.7 Summary of Significant Accounting Policies

7.7.1 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 (**"US GAAP"**). The consolidated financial information include the financial statements of China Diary Corporation Limited and its subsidiaries, Value Development Holdings Limited, Value Development Group Limited, Harbin Jiasheng Consulting Management Co. Ltd, , Heilongjiang Zhongxian Information Co. Ltd and its 99% owned subsidiary, Heilongjiang Xinhua Cattle Industry Co. Ltd and its 100% owned subsidiary, Shangzhi Yulong Cattle Co. Ltd.. All significant intercompany accounts and transactions have been eliminated on consolidation.

7.7.2 Variable Interest Entity ("VIE") and Principles of Consolidation

During the Historical Financial Information Period, there were a series of contractual agreements that made Heilongjiang Zhongxian Information Co. Ltd a VIE, whereby the Company did not own, but was the primary beneficiary of Heilongjiang Zhongxian Information Co. Ltd and its subsidiaries. Subsequent to the Historical Financial Information period, the series of contractual agreements that made Heilongjiang Zhongxian Information Co. Ltd a VIE ended and the Company now directly owns Heilongjiang Zhongxian Information Co. Ltd and its subsidiaries - please see section 7.7.16 for further information.

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

Heilongjiang Zhongxian Information Co. Ltd and its subsidiaries (collectively, the "Chinese VIE") have no assets that are collateral for or restricted solely to settle their obligations. The creditors of the Chinese VIE do not have recourse to the Company's general credit. Because Value Development Holdings Limited, Value Development Group Limited and Harbin Jiasheng Consulting Management Co. Ltd are established for the sole purpose of holding ownership interest and do not have any operations, the financial statement amounts and balances are principally those of the Chinese VIE.

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 has this power is not affected by the existence of kick-out rights or participating rights, unless a single enterprise, including its related parties and de facto agents, has the unilateral ability to exercise those rights. The Chinese VIE's actual stockholders do not hold any kick-out rights that will affect the consolidation determination.

7.7.3 Foreign Currency Translations

All Company assets are located in 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$") 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 and other comprehensive income 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").

Foreign currency translation adjustments have been reported as other comprehensive income in the consolidated statements of income and other comprehensive income. Other comprehensive income 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 recognise deferred U.S. taxes related to the undistributed earnings of its foreign subsidiaries and, accordingly, recognises no income tax expense or benefit from foreign currency translation adjustments.

Although PRC 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 other currencies may fluctuate and is affected by, among other things, changes in PRC'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.

7.7.4 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 recognised 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.

Milk sales revenue is recognised when the title has been passed to the customers, which is the date when the milk is delivered to designated locations and accepted by the customers and the previously discussed requirements are met. Fresh milk is delivered to its customers 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 recognised on a monthly basis based on monthly sales reports received.

7.7.5 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 upon 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 categorised 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, 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 realisable value which approximates the fair value.

There were no changes in methods or assumptions during the periods presented.

7.7.6 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.

7.7.7 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 term for its milk sales, and usually receives the payment in the following month. The Company considers all accounts receivable 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.

7.7.8 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 in the periods presented.

7.7.9 Prepaid Land Leases

Prepaid land leases represent the prepayment for grassland rental.

7.7.10 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 capitalised 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 capitalised 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

7.7.11 Impairment of Long-lived Assets

The Company utilises 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 recognise 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 recognised in the periods presented.

7.7.12 Biological Assets

Biological assets consist of dairy cows for milking purposes and breeding.

(a) Immature Biological Assets

Immature biological assets are recorded at cost, including acquisition costs, transportation costs, insurance expenses, 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.

(b) 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.

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 recognised 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 in the periods presented.

7.7.13 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 for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognised 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 realised.

Heilongjiang Zhongxian Information Co. Ltd is subject to the tax rate of 25% for the earnings when distributed by Heilongjiang Xinhua Cattle Industry Co. Ltd and Shangzhi Yulong Cattle Co. Ltd.
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 recognise 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 recognised 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 realised 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.

The Company does not have a liability for any uncertain tax positions in the periods presented.

The income tax laws of various jurisdictions in which the Company and its subsidiaries operate are summarised as follows:

- **BVI** - Value Development Holdings Limited is incorporated in the BVI and is 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 nil.
- **Hong Kong** – Value Development Group Limited is 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.
- **PRC** – Heilongjiang Xinhua Cattle Industry Co. Ltd and Shangzhi Yulong Cattle Co. Ltd 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. Heilongjiang Zhongxian Information Co, Ltd is subject to an Enterprise Income Tax at 25% and files its own tax return.

7.7.14 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 in the periods presented.

7.7.15 Statutory Reserve Fund

Pursuant to corporate law of the PRC, Harbin Jiasheng Consulting Management Co. Ltd and the Company’s Chinese VIE and its 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 utilised 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.

The required statutory reserve funds have been fully funded in the periods presented.

7.7.16 Subsequent Events

On 16 September 2015, the Company's 100% owned subsidiary, Harbin Jiasheng Consulting Management Co., Ltd (**"Jiasheng Consulting"**), exercised its option to purchase all of the registered equity of the Company's operating subsidiary, Heilongjiang Zhongxian Information Co., Ltd (**"Zhongxian Information"**) from its stockholders Zhenxin Liu, the Chief Human Resources Officer of the Group, and Youliang Wang, the Chief Executive Officer of the Group and a Director of the Company, for RMB10,000 (approximately US$1,634). 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.

8 INVESTIGATING ACCOUNTANT'S REPORT

HALLCHADWICK

Corporate Finance & Advisory Services

30 October 2015

The Directors
China Dairy Corporation Limited
Unit A1, 7/F Cheuk Nang Plaza
250 Hennessy Road
WANCHAI HONG KONG

HALL CHADWICK CORPORATE (NSW) LIMITED

ACN 080 462 488

SYDNEY

Level 40, 2 Park Street Sydney NSW 2000 Australia

GPO Box 3555 Sydney NSW 2001

Ph: (612) 9263 2600

Fx: (612) 9263 2800

E: hcsydinfo@hallchadwick.com.au

Dear Sirs,

Re: Investigating Accountant's Report on Historical and Pro forma Consolidated Historical Financial Information

We have been engaged by China Dairy Corporation Limited ("CDC") to report on the historical and pro forma consolidated historical financial information for inclusion in the Prospectus relating to an offer of up to 100,000,000 CHESS Depositary Interests at A$0.20 per CHESS Depositary Interests to raise a maximum of A$20,000,000 with a minimum subscription requirement to raise at least A$15,000,000 ("the Offer").

Expressions and capitalised terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services License (No. 227902) under the *Corporations Act 2001*. Hall Chadwick Corporate (NSW) Limited holds the appropriate Australian Financial Services License under the *Corporations Act 2001.*

Background

The Company was incorporated in Hong Kong on 12 January 2015 and acquired Value Development Holdings Limited ("VDH") in August 2015. As described in sections 3.2 and 3.3 of the Prospectus, VDH, through a number of subsidiaries owns the operating companies of the Group.

The majority shareholder of the Company is China Modern Agricultural Information, Inc. ("CMCI"), a United States ("US") based holding company listed on OTC Markets[1] under the ticker symbol "CMCI". Prior to August 2015, VDH was wholly owned by CMCI. The historical financial information illustrates the financial performance of the Company if it had owned VDH from 1 July 2012.

The historical financial information has been extracted from the audited financial accounts of CMCI, which have been subject to an annual audit by Wei Wei & Co LLP, based in New York. United States.

The historical financial information has been prepared in accordance with generally accepted accounting principles adopted by the US Securities and Exchange Commission ("US GAAP") in line with CMCI's listing on the OTC Market.

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[1] OTC Markets is a US based marketplace approximately 10,000 over-the-counter US and global securities.

Scope

Historical Financial Information

You have requested Hall Chadwick Corporate (NSW) Limited to review the following historical financial information:

a) the historical statements of financial performance for CMCI for the financial years ended 30 June 2013 ("FY2013"), 30 June 2014 ("FY2014") and 30 June 2015 ("FY2015");

b) the historical statement of financial position of CMCI as at 30 June 2015.

The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro forma consolidated historical financial information

You have requested Hall Chadwick Corporate (NSW) Limited to review the pro forma consolidated statement of financial position of the Company as at 30 June 2015, assuming completion of the acquisition of VDH and the Offer as disclosed in the Prospectus.

The stated basis of preparation is the recognition and measurement accounting principles applied to the historical financial information and the transactions to which the pro forma adjustments relate, as described in the Prospectus, as if those transactions had occurred as at the date, or prior to the date, of the historical financial information. Due to its nature, the pro forma consolidated historical financial information does not represent the company's actual or prospective financial position.

Directors' responsibility

The directors of CDC are responsible for the preparation of the historical financial information and pro forma consolidated historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma consolidated historical financial information that is free from material misstatement whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we have become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in the Prospectus.

Pro forma consolidated historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma consolidated historical financial information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in the Prospectus.

Restriction on Use

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial information to which it relates, for any purpose other than that for which it was prepared.

Consent

Hall Chadwick Corporate (NSW) Limited has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Hall Chadwick Corporate (NSW) Limited does not have any interest in the outcome of the Prospectus other than the issue of this report for which normal professional fees will be received. Hall Chadwick Corporate (NSW) Limited does not hold nor have any interest in the ordinary shares of the Company. Hall Chadwick Corporate (NSW) Limited was not involved in the preparation of any part of the Prospectus and accordingly, makes no representations or warranties as to the completeness and accuracy of any information contained in the Prospectus.

Yours faithfully

Drew Townsend
HALL CHADWICK CORPORATE (NSW) LIMITED

HALLCHADWICK
Corporate Finance & Advisory Services

FINANCIAL SERVICES GUIDE

Dated 30 October 2015

What is a Financial Services Guide (FSG)?
This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 ("HCC").

This FSG includes information about:

- HCC and how they can be contacted;
- the services HCC is authorised to provide;
- how HCC are paid;
- any relevant associations or relationships of HCC;
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Investigating Accountant's Report ("Report") which has been prepared for inclusion in a disclosure document. The purpose of the disclosure document is to help you make an informed decision in relation to a financial product. The contents of the disclosure document, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that HCC is authorised to provide
HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you
HCC has been engaged by the Directors of China Dairy Corporation Limited to prepare this Report for inclusion in a Prospectus in relation to the initial public offering of shares in China Dairy Corporation Limited on the ASX ("Offer").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Prospectus. HCC nor the employees of HCC are acting for any person other than China Dairy Corporation Limited. HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice
As HCC has been engaged by China Dairy Corporation Limited, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Offer.

Fees HCC may receive
HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the China Dairy Corporation Limited. Fees are agreed on either a fixed fee or a time cost basis. In this instance, China Dairy Corporation Limited has agreed to pay HCC $60,000 (excluding GST and out of pocket expenses) for preparing

the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary or a distribution from certain Hall Chadwick Sydney entities. Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

Referrals
HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships
Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this Report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (“HC Entities”) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. HC Entities have not previously provided any advisory services to the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of China Dairy Corporation Limited or has other material financial interests in the Offer.

Complaints resolution
If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:
The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on (02) 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process
If HCC cannot resolve the complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:
Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001

Telephone:	1300 78 08 06
Facsimile	(03) 9613 6399
Email:	info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800

9 MATERIAL CONTRACTS

9.1 Agreements in respect of land use rights

9.1.1 Transfer Agreement for Land Use Right between The People's Government of Shuangcheng District of Harbin and Xinhua Cattle dated 14 May 2014

On 14 May 2014, the People's Government of Shuangcheng District of Harbin (**Shuangcheng Government**) and Xinhua Cattle, a wholly-owned subsidiary of the Company, entered into a transfer agreement in respect of land use rights, pursuant to which Xinhua Cattle obtained the right to use and operate the property located at Shenyong Cun Qianjin County, Shuangcheng District, Harbin, Heilongjiang Province (**Shenyong Property**) for the purposes of cattle farming. The area of the Shenyong Property is 425 mu (approximately 283,333 square metres (70 acres)).

The term of the agreement is 30 years from 14 May 2015 until 13 May 2045. Xinhua Cattle has the right to renew the agreement six months prior to the expiration of the agreement.

Xinhua Cattle agrees to pay fees in the aggregate amount of RMB 111,887,500 (A$25,396,389), comprising:

(a) land use fee of RMB 27,412,500 (A$5,905,448); and

(b) infrastructure usage fee comprising:

   (i) cattle farming usage fee of RMB 73,675,000 (A$15,871,734);

   (ii) dormitory usage fee of RMB 5,400,000 (A$1,163,317); and

   (iii) office usage building fee of RMB 5,400,000 (A$1,163,317).

The fees are payable in instalments within 3 months of the date of the agreement. The final instalment was paid in full by Xinhua Cattle on or about June 2015.

During the term of the agreement, the Shuangcheng Government may not subcontract its rights under the agreement. There are certain termination rights afforded to Xinhua Cattle if the Shuangcheng Government:

(a) subcontracts the Shenyong Property; or

(b) terminates Xinhua Cattle's access to essential utilities on the Shenyong Property.

In addition, the contract may be terminated by either party because of the occurrence of a force majeure event.

9.1.2 Contract for Assignment of the Right to the Use of Land between Heilongjiang Qiqihaer Bureau of Reclamation and Xinhua Cattle dated 10 May 2013

On 10 May 2013, the Heilongjiang Qiqihaer Bureau of Reclamation (**Qiqihaer Bureau**) and Xinhua Cattle entered into a contract for the assignment of land use rights, pursuant to which Xinhua Cattle obtained the land use right to use the property located at Yaokule Meryton, Changqing Township, Fularji District, Qiqihaer City, Heilongjiang Province (**Yaokule Meryton Property**). The area of the Yaokule Meryton Property is 375mu (approximately 250,000 square metres (61 acres)).

The term of the agreement is 50 years from 10 May 2013 until 9 May 2063.

Xinhua Cattle agrees to pay a land assignment fee in the amount of RMB 37,500,000 (A$8,078,589) to the Qiqihaer Bureau within 2 months of the date of the agreement. The land assignment fee was paid to the Qiqihaer Bureau prior to the date of this Prospectus.

There are certain termination rights afforded to each party if the agreement cannot be performed due to regulatory changes, a compulsory acquisition of land by the government of the PRC or a force majeure event. In such circumstances, the Qiqihaer Bureau will be required to return the land assignment fee.

9.1.3 The Agreement for Assignment of Land Use Right between The People's Government of Xingfu Harbin Town Xiangfang district of Harbin and Xinhua Cattle dated 7 May 2014

On 7 May 2014, Xinhua Cattle and the People's Government of Xingfu Harbin Town Xiangfang district of Harbin (**Xingfu Government**) entered into an agreement for the assignment of rights, pursuant to which the Xingfu Government transferred:

(a) its land use rights to the property located in Jijia Village, Xingfu Town, Xiangfang District, Harbin (**Jijia Property**); and

(b) its rights to use the cattle area, office buildings and dormitory located on the Jijia Property,

to Xinhua Cattle.

The area of the Jijia Property is 357 mu (approximately 238,000 square metres (58 acres)).

The term of the agreement is 30 years from 7 May 2015 until 6 May 2045.

Xinhua Cattle agrees to pay fees in the aggregate amount of RMB 74,847,600 (A$16,124,346), comprising:

(a) land use fee of RMB 19,278,000 (A$4,153,041); and

(b) infrastructure usage fee comprising:

 (i) cattle usage fee of RMB 42,969,600 (A$9,256,899);

 (ii) dormitory usage fee of RMB 6,300,000 (A$1,357,203); and

 (iii) office usage building fee of RMB 6,300,000 (A$1,357,203).

The land use fee and cattle usage fee are payable within 2 months of the transfer of the land use rights under the agreement. The other fees are payable in instalments, and the final instalment was paid in full by Xinhua Cattle on or about June 2015.

Xinhua Cattle may not transfer, sublease or pledge the use right of the Jijia Property during the term of the agreement.

There are certain termination rights afforded to each party if the agreement cannot be performed due to regulatory changes or a force majeure event.

In addition, if Xinhua Cattle changes the purpose of the land use without the approval of the Xingfu Government, the Xingfu Government may withdraw the land use right.

Subject to the other rights of termination contained in the agreement, the Xingfu Government may not terminate the agreement without the prior written consent of Xinhua Cattle.

9.1.4 Grassland Contracting Agreement between Longjiang country, Halahai township, Dakeng village, village committee and Xinhua Cattle dated 9 October 2011

On 9 October 2011, the Longjiang country, Halahai township, Dakeng village, village committee (**Longjiang Committee**) and Xinhua Cattle entered into a contract for the purposes of implementing a grassland contracting management system. Under the agreement, the Longjiang Committee is required to contract 25,000 mu (approximately 16,666,666 square metres (4,118 acres)) of grassland to Xinhua Cattle for the purposes of grazing management.

The term of the agreement is 10 years from 9 October 2011 until 8 October 2021.

The contract fee payable by Xinhua Cattle under the agreement is RMB 30,000,000 (A$6,462,871). The contract fee was paid to the Longjiang Committee prior to the date of this Prospectus.

There are certain termination rights afforded to each party if the agreement cannot be performed due to regulatory changes or a force majeure event.

9.1.5 Transfer Agreement for Land Use Right between The Hongqi Villager's Committee of Shangzhi County of Shangzhi City and Yulong Cattle dated 25 February 2013

On 25 February 2013, the Hongqi Villager's Committee of Shangzhi County of Shangzhi City (**Hongqi Committee**) and Yulong Cattle entered into a transfer agreement in respect of land use rights, pursuant to which Yulong Cattle obtained the right to use property for the purposes of cattle farming (**Hongqi Property**). The area of the Hongqi Property is 642 mu (approximately 427,572 square metres (105 acres)).

The term of the agreement is 50 years from 1 March 2013 until 28 February 2063.

The transfer fee payable by Yulong Cattle under the agreement is RMB 77,040,000 (A$16,596,652). The transfer fee was paid to the Hongqi Committee prior to the date of this Prospectus.

There are certain termination rights afforded to each party if the agreement cannot be performed due to regulatory changes, a compulsory acquisition of land by the government of the PRC or a force majeure event. In such circumstances, the Hongqi Committee will be required to return the land assignment fee.

9.2 Entrusted feeding agreements

During or about December 2014, Xinhua Cattle entered into an entrusted feeding agreement with each of its entrusted farmers (**Entrusted Farmers**), which were amended in March 2015, pursuant to which each Entrusted Farmer will raise and breed calves, young cattle and dairy cows (together, the **Dairy Cows**) owned by Xinhua Cattle. The Entrusted Farmers are responsible for raising, feeding and milking the Dairy Cows.

The milk produced in respect of the Dairy Cows belongs to Xinhua Cattle and the Entrusted Farmers are required to deliver the milk to Xinhua Cattle each day during the term of the agreement.

The term of each agreement is two years commencing in December 2014 and ending in December 2016.

Xinhua Cattle agrees to pay feeding and other fees to each Entrusted Farmer as follows:

(a) RMB 380 (A$82) in respect of each calf aged 6 months or under;

(b) RMB 490 (A$105) in respect of each adult cattle aged between 7 to 18 months;

(c) RMB 560 (A$121) in respect of each young cattle aged between 19 months and the age at which the cattle gives birth to its first calf; and

(d) RMB 880 (A$189) in respect of each adult cow that has given birth to its first calf.

Under the agreement, each Entrusted Farmer guarantees to ensure that not less than 20 kilograms of milk per Dairy Cow is produced each day.

If the Entrusted Farmer needs to continue its breeding obligations after the term of each agreement, the relevant parties will renew the agreement.

9.3 Cow sale and purchase agreements

Between June 2011 and December 2014, Xinhua Cattle sold Holstein cows (**Sale Cows**) to a number of farmers (**Sale Farmers**) under cow sales contracts. The purchase price for the Sale Cows is to be paid in instalments each calendar quarter with repayment periods varying between 1 and 8 years. With the exception of the Sale Cows sold in June 2011, in respect of which no interest is payable, interest of 7% per annum is payable each calendar quarter in respect of the outstanding amount of the purchase price. Under the terms of the contracts, Xinhua Cattle is entitled to receive 30% of the milk sales revenue generated by the Sale Farmers from the milk produced by the Sale Cows during the repayment period.

9.4 Milk sale agreements

The Group has entered into the following agreements in relation to the sale of milk by Yulong Cattle and/or Xinhua Cattle:

(a) agreement between Mengniu Dairy (Shangzhi) Co., Ltd and Yulong Cattle dated 22 February 2014;

(b) agreement between Mengniu Dairy (Qiqihar) Co., Ltd and Xinhua Cattle dated 16 December 2014;

(c) agreement between Heilongjiang Feihe Dairy Co., Ltd and Xinhua Cattle dated 16 December 2014;

(d) agreement between Heilongjiang Farm Agricultural Reclamation Delong Dairy Industry Co., Ltd and Xinhua Cattle dated 1 January 2015;

(e) agreement between Qiqihaer Heshan Dairy Co., Ltd and Xinhua Cattle dated 1 January 2015;

(f) agreement between Heilongjiang Longxing Dairy Industry Co., Ltd and Xinhua Cattle dated 1 January 2015;

(g) agreement between Inner Mongolia Yili Industry Group Co., Ltd and Xinhua Cattle dated 16 December 2014; and

(h) agreement between Suihua Dongxing Dairy Foods Co., Ltd and Xinhua Cattle dated 1 January 2015

The key terms of each agreement are as follows:

(a) The milk sold by Yulong Cattle or Xinhua Cattle must meet the national standards for purchasing raw milk in the People's Republic of China. Specifically, the agreements prohibit selling the following types of raw milk:

    (i) milk produced by cows without health certificates or quarantines;

    (ii) milk produced by cows within 7 days of calving;

    (iii) milk containing antibiotics residues;

    (iv) milk produced by cows suffering from mastitis, tuberculosis, brucellosis and other diseases;

    (v) adulterated, rotten and contaminated milk; and

    (vi) any other milk that does not meet the national health safety and quality standard.

(b) If the milk acquired by the purchasers under the agreements do not meet the above standards, they have the right to reject the milk supplied to them.

(c) Each party may adjust the quantity of raw milk purchased under the agreement in the event of a force majeure event or unforeseen circumstances.

(d) If either party wishes to terminate the agreement, it must provide five days' written notice to the other party.

(e) The price payable by the purchasers under each of the agreement is between RMB 3.35 (A$0.72) and RMB 3.50 (A$0.75) per kilogram of milk.

9.5 Loan agreement

During or about March 2015, Zhongxian, a wholly owned subsidiary of the Company, and Enjia Liu, the Executive Chairman of the Company entered into a loan agreement pursuant to which Enjia Liu provides a loan facility to Zhongxian.

The maximum amount of the loan is RMB 50,000,000 (A$10,771,451). Any borrowings in excess of this amount may be negotiated between the parties.

As at June 2015, Heilongjiang Zhongxian Information Co., Ltd had drawn down US$937,524 (A$1,220,734 converted using the US$ to A$ spot exchange rate of 1.3021 as at 30 June 2015) from Enjia Liu pursuant to the loan agreement.

9.6 Mandate letter between Phillip Capital Limited and the Company

On 28 October 2015, the Company and Phillip Capital Limited ABN 14 002 918 247 (AFSL Number: 246827) (**Phillip Capital**) entered into a mandate letter (**Mandate Letter**) pursuant to which Phillip Capital was appointed as the exclusive lead manager in respect of the Offer.

The Mandate Letter is not an underwriting or firm commitment to subscribe for securities but is on a reasonable endeavours basis.

In consideration for Phillip Capital's services under the Mandate Letter, Phillip Capital is entitled to the following fees:

(a) a monthly advisory fee of A$15,000 (plus GST) for each month from April 2015 up to a maximum of A$75,000;

(b) a placement fee of 4% (plus GST) on the amount of capital raised under the Offer;

(c) a management fee of 7.5% (plus GST) on the amount of capital raised under the Offer;

(d) a success fee of 2% (plus GST) on the amount of capital raised under the Offer to be satisfied by the issue of Shares at the Offer Price to Phillip Capital; and

(e) a break fee of A$5,000 per month from 18 February 2015 if the Company terminates the services of Phillip Capital or terminates the Offer.

The Company agrees:

(a) to indemnify and hold harmless Phillip Capital, its related bodies corporate and their directors, employees, agents and contractors (**Indemnified Persons**) against;

(b) to reimburse each Indemnified Person for any legal expenses (on a full indemnity basis) or other expenses incurred by an Indemnified Person in connection with any investigation or defence of,

any claim, demand, loss, expense, liability or action (**Loss**) arising directly or indirectly from or relating to any of the capital raising, this prospectus, marketing material, this Offer and due diligence, in each case to the fullest extent permitted by law.

The Company agrees:

(c) to indemnify and hold harmless the Indemnified Persons against;

(d) to reimburse each Indemnified Person for any legal expenses (on a full indemnity basis) or other expenses incurred by an Indemnified Person in connection with any investigation or defence of;

any Loss arising directly or indirectly from or relating to the services or proposed transaction and Phillip Capital’s activities contemplated in the Mandate Letter, in each case to the fullest extent permitted by law.

The Company agrees that the Indemnified Persons shall not have any liability to the Company, its related bodies corporate and their shareholders, creditors, directors, employees, agents and contractors in relation to any Loss arising directly or indirectly from or relating to the Phillip Capital services or the Offer and Phillip Capital's activities contemplated in the Mandate letter as well as the capital raising, Prospectus, marketing material, Offer and due diligence as stated in the Mandate Letter, in each case to the fullest extent permitted by law.

Phillip Capital may terminate the Mandate Letter if the Company breaches the Mandate Letter and does not remedy the breach within 14 days of written notice of the breach by Phillip Capital.

The Company retains the right to terminate the Mandate Letter at any time:

(a) as a result of the gross negligence, wilful misconduct, recklessness, fraud or material breach of the Mandate Letter by Phillip Capital; or

(b) if the Company is of the reasonable opinion that the ASX Listing will be unsuccessful.

The Mandate Letter is governed and construed in accordance with the laws of Victoria.

9.7 Officer engagement contract

On 20 October 2015, Zhongxian entered into an officer engagement contract with Zhengxin Liu (Mr Liu) pursuant to which Zhongxian engaged Mr Liu as its director of human resources. Mr Liu is the son of Enjia Liu, the Executive Chairman of the Company.

The term of the contract is one year, expiring on 19 October 2016. The contract may be renewed by Zhongxian providing Mr Liu with 30 days written notice of its intention to renew the contract, prior to the expiry of the contract.

During the term of the contract, Mr Liu is entitled to an annual salary of RMB 120,000 (A$25,851). Mr Liu is entitled to a performance bonus determined by Zhongxian.

Mr Liu is entitled to six days of leave each month. Mr Liu is entitled to accommodation and food allowances at Zhongxian's expense.

The contract may be terminated by Zhongxian at any time if:

(a) Zhongxian determines that Mr Liu has not complied with the terms of the contract or has otherwise materially breached the terms of the contract or Zhongxian's policies or systems;

(b) Mr Liu has committed an act of gross negligence or acted contrary to the best interests of Zhongxian; or

(c) Mr Liu is guilty of a criminal offence.

The contract may be terminated by Zhongxian on 30 days written notice if:

(a) Mr Liu is unable to perform his duties under the contract due to a medical illness or injury;

(b) Zhongxian suffers an insolvency event or undertakes a restructure.

The contract may be terminated by the mutual agreement of the parties or if the contract cannot be performed due to a force majeure event or major changes to the organisation of Zhongxian.

10 ADDITIONAL INFORMATION

10.1 Foreign company registered in Australia

The Company is a foreign company registered in Australia with ASIC under Division 2 of Chapter 5B.2 of the Corporations Act with Australian Registered Body Number 607 996 449. Kashif Ansari is the local agent of the Company under section 601CF and 601CG of the Corporations Act.

10.2 CHESS Depositary Interests (CDIs)

Information about CDIs and the key difference between holding CDIs and holding the underlying Shares is set out below:

Item	Detail
What is the nature of CDIs?	In order for the Shares to trade electronically on ASX, the Company intends to participate in the electronic transfer system known as CHESS operated by ASX Settlement. CHESS cannot be directly used for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as Hong Kong. Accordingly, to enable the Shares to be cleared and settled electronically through CHESS, the Company intends to issue depositary interests called CHESS Depositary Interests or CDIs. CDIs confer the beneficial ownership in foreign securities such as the Shares on the CDI holder, with the legal title to such Shares being held by an Australian depositary nominee.
Who is the depository nominee and what do they do?	The Company will appoint CHESS Depositary Nominees Pty Limited (**CDN**), a subsidiary of ASX and an approved general participant of ASX Settlement, to act as its Australian depositary. CDN will hold legal title to the Shares on behalf of CDI holders. CDN will receive no fees for acting as the depository for the CDIs. By completing an Application Form, an Applicant will apply for Shares to be issued to CDN, which will in turn issue CDIs to the Applicant.
What registers will be maintained recording your interests?	The Company will operate a certificated principal register of Shares in Hong Kong, branch register of Shares in Australia, an uncertificated issuer sponsored sub-register of CDIs and an uncertificated CHESS sub-register of CDIs in Australia. The Company's branch register of Shares in Australia, uncertificated issuer sponsored sub-register of CDIs and uncertificated CHESS sub-register of CDIs will be maintained by the Share Registry. The branch register is the register of legal title (and will reflect legal ownership by CDN of the Shares underlying the CDIs with the Shares held by CDN recorded on the branch register of Shares in Australia). The two uncertificated sub-registers of CDIs combined will make up the register of beneficial title.
How is local and international trading in CDIs effected?	CDI holders who wish to trade their CDIs will be transferring the beneficial interest in the Shares rather than the legal title. The transfer will be settled electronically by delivery of the relevant CDI holdings through CHESS. In other respects, trading in CDIs is essentially the same as trading in other CHESS approved securities, such as shares in

Item	Detail
	an Australian company.
What is the CDI:Share ratio?	Each CDI will represent an interest in one (1) Share.
What will CDI holders receive on acceptance of their Applications?	Each CDI holder will receive a holding statement which sets out the number of CDIs held by the CDI holder and the reference number of the holding. These holding statements will be provided to a holder when a holding is first established and where there is a change in the holdings of CDIs.
How do CDI holders convert from a CDI holding to a direct holding of Shares on the Hong Kong principal register?	CDI holders who wish to convert their ASX listed CDIs to Shares to be held on the Hong Kong principal register can do so by instructing the Company's Share Registry either: • directly in the case of CDIs on the issuer sponsored sub-register operated by the Company. CDI holders will be provided with a “notice of transmutation” for completion and return to the Company’s Share Registry; or • through their sponsoring participant (usually their broker) in the case of CDIs which are sponsored on the CHESS sub-register. In this case, the sponsoring broker will arrange for completion of the relevant form and its return to the Company’s Share Registry. The Company’s Share Registry will then arrange for the Shares to be transferred from CDN into the name of that holder and instruct the Company Secretary to issue a new share certificate on the Hong Kong principal register. This will cause the Shares to be registered in the name of the holder on the Company's principal share register and trading on ASX will no longer be possible. The Shares are not and will not in the near future be quoted on any market in Hong Kong. Any Shares so issued will bear restrictive details in accordance with Hong Kong law. CDIs removed from the Australian register will be placed onto the principal Hong Kong register as per the details of the registered CDIs. The transfer of Shares after having been registered on the Hong Kong principal register must be stamped in accordance with the Hong Kong Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong). The rate of duty is 0.1% payable by each of the purchaser and seller involved in a transaction, giving an effective rate of 0.2%. Duty is charged on the amount of the consideration or of its value at the date on which the contract note falls to be executed for the transfer. The Company’s Share Registry will not charge an individual security holder a fee for transferring CDI holdings into Shares held on the Hong Kong principal register. It is expected that this process will be completed within two days, provided that the Share Registry is in receipt of a duly completed and valid "notice of transmutation" pursuant to the ASX Settlement Operating Rules. However, no guarantee can be given about the time required for this conversion to take place. If holders of the Shares wish to convert their holdings to CDIs, they can do so by contacting the Company’s Share Registry. The Company’s Share Registry will not charge a fee to a holder of Shares seeking to convert the Shares to CDIs (although a fee will be payable by the Company).
What are the voting rights of a CDI holder?	If holders of CDIs wish to attend and vote at the Company’s general meetings, they will be able to do so. Under the Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant Hong Kong law at the time of the meeting prevents CDI holders from attending those meetings. In order to vote at such meetings, CDI holders have the following options: • instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in

Item	Detail
	a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or • informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or • converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See below for further information regarding the conversion process. As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken. Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company. These rights exist only under the ASX Settlement Operating Rules, rather than under the Hong Kong Companies Ordinance. Since CDN is the member of the Company but the holders of CDIs are not members themselves as they hold a beneficial interest in the applicable shares, the holders of CDIs do not have any directly enforceable rights under the Company Articles of Association.
What dividend and other distribution entitlements do CDI holders have?	Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI holders are to receive all direct economic benefits and other entitlements in relation to the underlying Shares. These include dividends and other entitlements which attach to the underlying Shares. These rights exist only under the ASX Settlement Operating Rules, rather than under the Hong Kong Companies Ordinance. Given each CDI will represent an interest in one (1) Share, dividends and other entitlements which attach to each Share will flow through to the corresponding CDI and hence to the CDI holder. The Company will declare any dividends in US$ as it is the reporting currency of the Company. The Company will pay any dividends in US$ or A$ depending on the country of residence of the CDI holder.
What corporate action entitlement (such as rights issues and bonus issues) do CDI holders have?	Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI holders are to receive all direct economic benefits and other entitlements in relation to the underlying Shares. These include entitlements such as the right to receive the same dividends and entitlement to participate in rights issues, bonus issues and capital reductions. These rights exist only under the ASX Settlement Operating Rules, rather than under the Hong Kong Companies Ordinance.
What rights do CDI holders have in the event of a takeover?	If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, under the ASX Settlement Operating Rules, CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI holder. In the event CDI holders instruct it to do so, CDN must ensure that the offeror processes the takeover acceptance. These rights exist only under the ASX Settlement Operating Rules, rather than under the Hong Kong Companies Ordinance.

Item	Detail
What notices and announcement will CDI holders receive?	CDI holders will receive all notices and Company announcements (such as annual reports) that Shareholders are entitled to receive from the Company. These rights exist only under the ASX Settlement Operating Rules, rather than under the Hong Kong Companies Ordinance.
What rights do CDI holders have on liquidation or winding up?	In the event of the Company's liquidation, dissolution or winding up, a CDI holder will be entitled to the same economic benefit on their CDIs as Shareholders. These rights exist only under the ASX Settlement Operating Rules, rather than under the Hong Kong Companies Ordinance.
Will CDI holders incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares?	A CDI holder will not incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares.
Where can further information be obtained?	For further information in relation to CDIs and the matters referred to above, please refer to the ASX website and the documents entitled: (a) "Understanding CHESS Depository Interests" at: http://www.asx.com.au/documents/settlement/CHESS_Depositary_Interests.pdf (b) ASX Guidance Note 5 at: http://www.asx.com.au/documents/rules/gn05_chess_depositary_interests.pdf or contact your stockbroker or the Company's Share Registry on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia).

10.3 Articles of Association, Hong Kong laws and rights attaching to Shares

10.3.1 Incorporation in Hong Kong

The Company was incorporated with the Companies Registry in Hong Kong on 12 January 2015 as a Hong Kong private company. On 10 August 2015, the Company altered its Articles of Association so that the Company changed its status from a private company to a public company.

10.3.2 Registration as a foreign company

The Company was registered as a foreign company with the Australian Securities and Investments Commission on 2 September 2015 under Division 2 of Chapter 5B.2 of the Corporations Act. Kashif Ansari has been appointed as the local agent of the Company under section 601CF and 601CG of the Corporations Act.

10.3.3 Rights attaching to Shares

The Company is subject to, and the rights attaching to ownership of the Shares arise from a combination of:

- the provisions of the Company's Articles of Association (its constituent document);
- the Hong Kong Companies Ordinance, which is the principal legislation regulating companies in Hong Kong; and
- on listing on the ASX, the ASX Listing Rules.

The Company's Articles of Association were repealed and replaced on 10 August 2015 to take into account the requirements of being listed on the ASX. Accordingly, the provisions required under the ASX Listing Rules for constitutions are included in the Company's Articles of Association.

10.3.4 Summary of applicable Hong Kong company law

Set out below is a brief summary of certain provisions of the Hong Kong Companies Ordinance (Cap 622 of the Laws of Hong Kong) and where applicable the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32 of the Laws of Hong Kong).

The principal objective is to provide an overview of the Hong Kong Companies Ordinance. This does not purport to contain all applicable qualifications and exceptions or to be a review of all matters relating to the Hong Kong Companies Ordinance. As the information contained below is in summary form, it does not contain details of all the information that may be important to you.

(a) Voting

Any member of a company who is entitled to attend and vote at a meeting is entitled to appoint another person whether a member or not, as his proxy to attend and vote instead of him.

The proxy also has the same right to speak at the meeting as the member who appoints him. At any general meeting, a resolution put to the vote of the meeting is decided on a show of hands unless a poll is demanded before or on the declaration of the result. On a show of hands, every member present in person has one vote irrespective of the number of shares he holds.

If a member appoints more than one proxy, the proxies so appointed are not entitled to vote on the resolution on a show of hands, so they would need to demand a poll, unless the articles of association specified otherwise.

(b) Share capital and issue of shares

Shares in a company have no nominal value.

Share capital may be divided into different types or classes of shares such as ordinary, preference or deferred shares with special rights attached to them as prescribed by the company's articles of association.

The articles of association of a company have effect as a contract under seal between a company and its members and between a member and each other member. Only the legal owner of the applicable share is recognized by a company as its member. No notice of trust (whether express, implied or constructive) may be entered in the register of members of a company or receivable by the Registrar of Companies.

(c) Membership

To become a member of a company, a person must have the capacity to contract with the company. Capacity is governed by the general law of contract. A subsidiary company is prohibited from being a member of its holding company, and any allotment or transfer of shares in a holding company to its subsidiary is void.

(d) Transfer of shares

Shares are freely transferrable unless the company's articles of association impose restrictions on their transfer.

The actual transfer of the legal interest in shares should be effected by an instrument of transfer, the actual transfer of the beneficial interest in shares should be effected by bought and sold notes. Stamp duty is required to be paid. The instrument of transfer and the bought and sold notes must be submitted for stamping, together with the applicable supporting documents. When the transfer of legal ownership is registered and the transferee's name is entered on the register of members of the company, he will be the legal owner of the shares. As mentioned above, beneficial owners are not included in the register of members of the company.

(e) Meetings and notice

Save for special arrangements for the first financial year, every company is required to hold a general meeting as its annual general meeting in respect of each financial year, in the case of a public company within 6 months of the end of its accounting reference period by reference to which the financial year is to be determined. However, it may be conducted by shareholders' written resolution provided that copies of all the documents which would have been laid before the company at that meeting are circulated to each member. A company is also not required to hold a general meeting if it has only one member.

An extraordinary general meeting may be convened at the request of directors, members, auditors, liquidators, the official receiver or by the court.

The Hong Kong Companies Ordinance provides that the length of notice for calling an annual general meeting shall not be less than 21 days' notice in writing. In any other case, the length of notice shall not be less than 14 days' notice in writing.

(f) Types of transactions that require shareholder approval

The Hong Kong Companies Ordinance and the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance provide that, among other matters, the undertaking of the following matters by a company shall be subject to, among other things, shareholders' approval or approval from a certain class of shareholders (as the case may be):

(i) alteration of the articles of association of a company;

(ii) change of name of a company;

(iii) a company repurchasing its own shares;

(iv) alteration of the share capital of a company by way of increasing its share capital, convert all of its shares into larger or smaller number of shares or dividing of its shares into different classes, or cancelling shares;

(v) allotment of shares on a non pro-rata basis;

(vi) reduction of share capital;

(vii) variation of rights of shareholders that are attached to a particular class of shares of a company;

(viii) extend the period on which the register of members of a company is closed to a period beyond 30 days;

(ix) appointment, replacement or removal of an auditor of a company;

(x) removal of a director before the expiration of his period of office by a company;

(xi) voluntary winding up of a company;

(xii) appointment, removal or replacement of a liquidator; and

(xiii) declaring that a company will become dormant.

(g) Purchase of shares and options by a company and its subsidiaries

The Hong Kong Companies Ordinance provides that, if authorised by its articles, a company may buy back its own shares (including any redeemable shares) provided that it does not result in the company's capital comprising only redeemable shares. The rules which apply when a company buys back its own shares include that:

(i) the shares must be fully paid;

(ii) the buy-back must generally be financed out of distributable profits or the proceeds of a fresh issue of shares made for the purpose of the buy-back although in certain circumstances buy-backs out of capital are permitted;

(iii) the shares bought must be treated as cancelled on buy-back;

(iv) the company' s share capital must be reduced if the shares were bought back out of capital;

(v) the company's profits must be reduced if the shares were bought back out of profits; and

(vi) the company's share capital and profits must be reduced proportionately if the shares were bought back out of both capital and profits, by the total amount of the price paid by the company for the shares.

Generally public companies in Hong Kong must comply with the Hong Kong Code on Share Buy-backs in the event of a share buy-back. It does not have the force of law, but sets outs standards expected of participants in the securities markets in Hong Kong.

Public companies may buy-back their own shares:

(vii) in an on-market share buy-back;

(viii) in an off-market share repurchase approved in accordance with rule 2 of the Hong Kong Code on share buy-backs;

(ix) in an exempt share buy-back; or

(x) a share buy-back by way of a general offer in accordance with the General Principles and Rules of the Codes as set out in the Hong Kong Code on Share Buy-Backs.

(h) Appointment of directors

Every public company must have at least two directors. A body corporate must not be appointed as a director of a public company. A private company may have just one director but the private company must have at least one director who is a natural person. The Hong Kong Companies Ordinance imposes a minimum age of 18 years for a director and generally prohibits a person who is an undischarged bankrupt from acting as a director. The general power to appoint directors is vested in the members acting in general meeting. The articles of association of a company may provide that directors have the power to fill any casual vacancy and to make additional appointments.

(i) Takeovers

The Hong Kong Takeovers Code regulates takeovers and mergers in Hong Kong and generally applies to public companies in Hong Kong. It does not have the force of law, but sets outs standards expected of participants in the securities markets in Hong Kong.

The Hong Kong Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

(i) acquire, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company; or

(ii) hold not less than 30% but not more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or those persons collectively within a 12 month period,

then a general offer must be made to all other shareholders of the company.

(j) Financial assistance to purchase shares in a company or its holding company

The Hong Kong Companies Ordinance provides that it is generally unlawful for a company or any of its subsidiaries to:

(i) give any financial assistance directly or indirectly for the purpose of a person acquiring the company’s shares, whether it is given before or at the time of the acquisition; or

(ii) give any financial assistance directly or indirectly for the purpose of reducing or discharging the liability incurred by acquiring the company’s shares.

However, this general prohibition is subject to exceptions, which allow all types of company (listed or unlisted) to provide financial assistance, subject to satisfaction of solvency tests and certain specified procedures.

(k) Dividends and distributions

The basic principle governing all payments by a company to its members is that a company may only make a distribution out of profits available for distribution.

A company's profits available for distribution are its accumulated, realised profits (so far as not previously utilized by distribution or capitalization) less its accumulated, realised losses (so far as not previously written off in a reduction or reorganization of capital). Realised profits and losses are defined as those profits or losses which are regarded as realised profits or realised losses for the purpose of any financial statements prepared by the directors in accordance with principles generally accepted at the time when the financial statements are prepared.

(l) How are changes in rights attaching to shares regulated

Where, in the case of a company the share capital of which is divided into different classes of shares, special rights are attached to any such class of shares, such special rights may be varied only in accordance with provisions in the company's articles for the variation of those rights, or if there are no such provisions, with the written consent of holders representing at least 75% of the total voting rights of holders of shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders in that class.

(m) Protection of minorities (including from oppressive conduct) and the ability for shareholders to requisition a meeting or to bring or intervene in legal proceedings on behalf of the entity

The Hong Kong Companies Ordinance provides certain safeguards in an effort to ensure that majority power is not abused. For example:

(i) members who hold 5% of the total voting rights of all the members may request the directors to call a general meeting;

(ii) members who hold 2.5% of the total voting rights of all members may request for a resolution to be considered at the company's annual general meeting or apply to the court to inspect any records of a company;

(iii) a member is entitled to seek relief from the court if the affairs of the company are being conducted in a manner unfairly prejudicial to the interests of the members generally or of one of more members;

(iv) a member is entitled to bring a statutory derivative action, or intervene in, court proceedings in the event of misconduct committed against a company on behalf of the company; and

(v) a member may petition for the company to be wound up by the court.

The law in Hong Kong permits shareholders, with the permission of a court, to start a derivative action on behalf and under the name of a company against directors in breach of their duties.

Hong Kong Companies Ordinance also provides for statutory derivative actions which cover:

(i) the bringing of proceedings in respect of misconduct committed against a company;

(ii) the bringing of proceedings in respect of any matter where a company fails to bring proceedings in respect of such matter by reason of misconduct committed against the company; and

(iii) the intervention in proceedings in respect of any matter where a company fails to diligently continue, discontinue or defend the proceedings in respect of such matter by reason of misconduct committed against the company,

where in relation to the proceedings brought or intervened in, the cause of action or right to continue, discontinue or defend those proceedings, as the case may be, is vested in the company and relief, if any, is sought on behalf of the company.

(n) Liquidation rights

The winding-up of a company may be by the court, or it may be done voluntarily.

The Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that a company may be wound up voluntarily:

(i) where the period, if any, fixed by its articles of association for the duration of the company expires, or an event, if any, occurs on the occurrence in which the articles provide that such company is to be dissolved, and the company has resolved (by ordinary resolution) to be wound up voluntarily;

(ii) if the company resolves by special resolution to be wound up voluntarily; and

(iii) if the company resolves by special resolution that it cannot by reason of its liabilities continue its business and that it is advisable to wind-up.

(o) Shareholder liability

The Hong Kong Companies Ordinance provides that a company may be registered as limited by shares. If shares are paid for in full when they are issued, even if the company is unable to pay its debts and is wound up, the members are not liable to pay those debts as their liability is limited to the amount payable on the shares held by them. Only in the event the shares are unpaid or only partially paid up, the members may be liable to contribute towards paying the company’s debts, but their maximum liability will be limited to the amount unpaid on their shares.

(p) Accounting and auditing requirements

A company is required to keep accounting records which must be sufficient:

(i) to show and explain the company's transactions;

(ii) to disclose with reasonable accuracy at any time the company's financial position and financial performance; and

(iii) to enable the directors to ensure that the financial statements comply with the Hong Kong Companies Ordinance.

The accounting records must contain: (i) daily entries of all sums of money received and expended by the company, and the matters in respect of which the receipt and expenditure takes place; and (ii) a record of the company's assets and liabilities.

The company's accounting records must be kept at the registered office of the company or at such other place as the directors think fit, and shall at all times be open to inspection by the directors without charge.

The Hong Kong Companies Ordinance requires auditors of a company to report to the members on any financial statements prepared by the directors a copy of which is laid before the company in general meeting during the time they hold the office of auditor. The financial statements generally must comply with the requirement of Parts 1 and 2 of Schedule 4 to the Hong Kong Companies Ordinance. Every company is required to appoint auditors. Auditors will be appointed at the company’s annual general meeting (“AGM”) and they are appointed to hold office from the conclusion of that meeting until the conclusion of the next AGM. If the meeting fails to appoint auditors, any member of the company may apply to the court for an appointment. A person can only be appointed as auditor if he is qualified under the Hong Kong Professional Accountants Ordinance and he is not:

(i) an officer or employee of the company;

(ii) a person who is a partner or employee of an officer of the company; and

(iii) a person disqualified for appointment as auditor in relation to the company’s subsidiary undertaking, its parent undertaking, or a subsidiary undertaking of that parent undertaking.

(q) Management

The general power of managing a company is usually vested in the board of directors which is subject to the Hong Kong Companies Ordinance, the company’s articles of association, and to any directions given by a special resolution of the shareholders.

Shareholder approval is required for matters concerning:

(i) the company’s articles of association;

(ii) the company’s share capital;

(iii) the appointment and removal of auditors;

(iv) the removal of directors before the end of the director's term of office; and

(v) voluntary winding-up.

A company’s articles of association may specify that certain powers must be exercised by the company in general meeting.

(r) Alteration of articles of association

Subject to the Hong Kong Companies Ordinance, a company may by special resolution alter its articles of association or by ordinary resolution in the case of an increase in the maximum number of shares that the company may issue. However, a company must not alter in its articles the statement that the liability of its members is limited and that the liability of its members is limited to any amount unpaid on the shares held by the members. The alterations must not be inconsistent with any special rights attached to a class of shares unless the procedures for varying class rights are complied with.

10.3.5 Key differences between Australian and Hong Kong company laws and regulations

As the Company is not established in Australia, its general corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the Hong Kong Companies Ordinance, the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Hong Kong Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), in the latter case as supervised by the Securities and Futures Commission (**SFC**) of Hong Kong.

Set out below is a table summarising some of the key differences between Australian and Hong Kong company laws and regulations as they apply to the Company.

Australia	Hong Kong
Takeovers and compulsory acquisitions and substantial holder notices	
Takeovers Chapter 6 of the Corporations Act prohibits the acquisition of a relevant interest in voting shares if, because of that transaction, a person's voting power in the company increases from under 20% to over 20% or increases from a starting point that is above 20% and below 90% There are a number of exceptions to the prohibition in Chapter 6, including: • an acquisition that results from an acceptance of an offer under a takeover bid; • an acquisition approved by a resolution of the company in which the acquisition is made; • acquisitions of no more than 3% in every 6 months; • an acquisition that results from a rights issue; • a downstream acquisition resulting from an acquisition of relevant interests in another listed entity; and	**Takeovers** The Hong Kong Takeovers Code regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong that wish to participate in the Hong Kong securities market. The Hong Kong Takeovers Code provides that when a person, or two or more persons acting in concert collectively: • acquire, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company; or • hold not less than 30% but not more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period, then a general offer must be made to all other shareholders of the company.

Australia	Hong Kong
• acquisitions resulting from a scheme of arrangement. Chapter 6B of the Corporations Act sets out the rights and liabilities in relation to Chapter 6 and 6A matters.	
Substantial holder notices Chapter 6C of the Corporations Act sets out disclosure requirements for persons who have or cease to have a substantial holding in a listed company. Notification requirements also apply if the person has a substantial holding and there is a movement of at least 1% in their holding, or the person makes a takeover bid for securities of the company or scheme. A "substantial holding" includes where a person and their associates have a relevant interest in 5% or more of the total number of votes attaching to voting shares in the body.	**Substantial holder notices** Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively "Corporate Insiders") of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation. Section 309(2) of the Hong Kong Securities and Futures Ordinance gives the SFC the power to exempt any listed corporation from all or any of the provisions of Part XV of the Hong Kong Securities and Futures Ordinance, subject to such conditions as it thinks fit. A listed corporation may apply in writing to the SFC for an exemption under Part XV of the Hong Kong Securities and Futures Ordinance and the SFC will take into account of the following matters in deciding whether to grant a full exemption for corporations with a listing in any other jurisdiction: • the volume of the applicant corporation's worldwide share turnover or the anticipated turnover that takes place on any other stock exchange or securities market; • the extent to which an applicant corporation's Corporate Insiders are subject to statutory disclosure requirements in any other jurisdiction that are comparable to those existing in Hong Kong; and • the reasons for the applicant corporation listing in Hong Kong including whether it intends to raise capital or not.
Compulsory acquisition Chapter 6A of the Corporations Act sets out the requirements for any compulsory acquisition process. A bidder under a takeover bid may compulsorily acquire any remaining securities in the bid class if during, or at the end of, the offer period, the bidder and their associates have: • relevant interests in at least 90% (by number) of the securities in the bid class; and • acquired at least 75% (by number) of the securities that the bidder offered to acquire	**Compulsory acquisition** Division 4 of Part 13 of the Hong Kong Companies Ordinance sets out the procedures in respect of a compulsory acquisition after a takeover offer. If a purchaser makes an offer to acquire all the shares not held by it in a Hong Kong incorporated company and has acquired not less than 90 percent of the shares, for which the offer is made, within the applicable time period, the purchaser may invoke the procedures set out in the Hong Kong Companies Ordinance in order to acquire compulsorily the remaining shares.

Australia	Hong Kong
under the bid (whether the acquisitions happened under the bid or otherwise).	
Related party transactions	
Chapter 2E of the Corporations Act covers 'related party benefits' – designed to protect the interests of a company's shareholders as a whole, by requiring shareholder approval before giving financial benefits which could otherwise endanger those interests. The Corporations Act requires, for a public company, that: • shareholder approval must be obtained before giving a financial benefit to a related party; and • the benefit must be given within 15 months of the approval; or • the benefit must fall within a specified exception. The most relevant exception provides that: • where any benefit would be reasonable in the circumstances if the public company and the director/related party were dealing at arm's length terms; or • the terms are less favourable to the director/related party than the terms referred to above, then shareholder approval is not required. Other exceptions include reasonable remuneration payments to directors, directors' insurance, and small amounts given to directors/related parties. 'Related party' is defined in the Corporations Act to include: • a director of the company and any controlling entity and their spouses; • parents and children (of both directors and/or spouses); • an entity controlled by any of the above; or • any other entity acting in concert with a related party.	The Hong Kong Companies Ordinance provides that companies no matter whether they are public or private cannot directly or indirectly: • make a loan to a director of the company, or of its holding company; • enter into any guarantee or provide any security in connection with a loan made by any person to a director of the company or its holding company; or • make a loan to or enter into any guarantee or provide security in connection with a loan made by any person to a body corporate controlled by a director. The transactions which are exempted from the above prohibitions are as follows:- **Ordinary business:** A company may make a loan to a director, or provide a guarantee or security for such a loan, if the ordinary business of that company includes making of loans and/or provision of guarantee or security for loans. Such transactions must be entered into in the ordinary course of business and the amount of the transactions must not be greater, and the terms must not be more favourable, than what is reasonable to expect the company to have offered to a person who is unconnected with the company. **Group of companies:** A company that is a member of a group of companies may make a loan, or given a guarantee or provide security in connection with a loan to a company that is a member of the same group. **Prescribed approval of members:** A company may make a loan, or give guarantee or provide security to a director of a company or of a holding company, or a body corporate controlled by a director which has been approved by the shareholders of the company or its holding company in accordance with the prescribed procedures set out in the Hong Kong Companies Ordinance. **Funds to meet expenditure:** A company may enter into any transaction to provide any of its directors or the director of a holding company of the company, or a body corporate controlled by a director, or an entity connected with such a director, with funds to meet expenditure incurred by him for the purpose of the company or for the purpose of enabling him, the body corporate controlled by a director or connected entity (as the case may be) to properly perform his duties as an officer of

Australia	Hong Kong

	the company.
	
	• **Provision of home loan:** Subject to certain conditions in the Hong Kong Companies Ordinance, a company may enter into any transaction:
	  ○ for the purpose of facilitating the purchase any residential premises for use as the only or main residence of:
	  ○ a director of the company;
	  ○ an employee of the company who is a director of a holding company of the company; or
	  ○ an employee of the company who is an entity connected with a director of the company or of a holding company of the company; or
	• for the purpose of improving such residential premises.
	
	Hire/lease on not more favourable terms: Subject to certain conditions in the Hong Kong Companies Ordinance, a company may lease or hire goods, or lease land to:
	• a director of the company;
	• a body corporate controlled by a director; or
	• an entity connected with such a director,
	
	on terms not more favourable than the terms it is reasonable to expect the company to have offered, if the goods had been leased or hired, or the land had been leased, on the open market, to a person who is unconnected with the company.
	
	Exception for loan of value not exceeding 5% of net assets or called-up share capital: A company may make a loan, or give a guarantee or provide security in connection with a loan, if the aggregate of the value of the transaction in question, and the value of certain relevant transactions or arrangements, as prescribed under the Hong Kong Companies Ordinance, if any, does not exceed 5% of:
	• the value of the company’s net assets as determined by reference to the relevant financial statements of the company; or
	• if no such relevant financial statements have been prepared, the amount of the company’s called-up share capital.
	
	Exception for expenditure on defending proceedings and in connection with investigation or regulatory

<table>
<tr><th>Australia</th><th>Hong Kong</th></tr>
<tr><td></td><td>action: A company may enter into any transaction:
to provide a director of the company or of a holding company of the company with funds to meet expenditure incurred or to be incurred by the director in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by the director in relation to the company or an associated company of the company, or an investigation, or against any action taken or proposed to be taken by a regulatory authority; or
to enable such a director to avoid incurring such expenditure,
provided that:
the funds are to be repaid, or any liability of the company incurred in relation to that transaction is to be discharged, if:
the director is convicted in the proceedings; or
judgment is given against the director in the proceedings; or
the court refuses to grant the director relief on the application; or
the director is found in the investigation or action to have committed the misconduct,
(as case may be);
that the funds are to be so repaid, or such liability is to be so discharged, not later than the date when the conviction, judgment or refusal of relief or finding (as the case may be) becomes final.
There are also restrictions on payments to directors for loss of office and for long service contracts with directors and restrictions on quasi-loans and credit transactions with directors and bodies corporate controlled by directors. Furthermore there are restrictions on directors being interested in material contracts, arrangements and transactions with the company.</td></tr>
<tr><td colspan="2">Protection of minorities</td></tr>
<tr><td>The Corporations Act has various provisions allowing for application for a court order for oppressive conduct of a company's affairs, allowing for derivative actions and permitting the inspection of a company's books. A winding up order may also be sought on just and equitable grounds.</td><td>The Hong Kong Companies Ordinance contains various provisions allowing for application for a court order for unfairly prejudicial conduct of a company's affairs, allowing for derivative actions and permitting the inspection of a company's books. The Hong Kong Companies (Winding Up and Miscellaneous Provisions)</td></tr>
</table>

Australia	Hong Kong
	Ordinance provides that a winding up order may also be sought on just and equitable grounds.
Filing documents / access to information	
The Corporations Act requires a corporation to file various documents with ASIC, including its accounts, notification of changes to its constitution and notifications regarding changes to the director, secretary and share capital. Documents filed with ASIC are available to the public. The Corporations Act also provides for a statutory right permitting the member to inspect the books of a company.	The Hong Kong Companies Ordinance requires a company to file various documents with the Hong Kong Companies Registry including, without limitation: changes to its articles of association, annual returns, notification of change of company secretary and director, and return of allotments. Documents filed with the Hong Kong Companies Registry are available for inspection by the public. The Hong Kong Companies Ordinance also provides members of the company with certain inspection rights in respect of the records of a company.
Notice of meetings	
The Corporations Act requires at least 28 days' notice of a general meeting of a listed company.	The Hong Kong Companies Ordinance provides that the length of notice for calling an annual general meeting shall not be less than 21 days' notice in writing. In the case of a meeting which is neither an annual general meeting, the length of notice shall not be less than 14 days' notice in writing.
Removal of directors	
The Corporations Act contains various provisions regarding resignation, removal and retirement of directors. The Corporations Act provides that a director may be removed by resolution at a general meeting, subject to a company receiving at least two months' notice of the intention to move the resolution and the Company notifying the relevant director as soon as possible after receiving notice of that intention. The Corporations Act also provides what is termed the 'two-strikes' law which is designed to hold directors accountable for executive salaries and bonuses. It means an entire company board can face re-election if shareholders disagree with how much executives are being paid. The 'first strike' occurs when a company's remuneration report – which outlines each director's individual salary and bonus – receives a 'no' vote of 25 per cent or more by shareholders at the company's annual general meeting. The 'second strike' occurs when a company's subsequent remuneration report also receives a 'no' vote of 25 per cent or more. When a 'second strike' occurs, the shareholders will vote	The Hong Kong Companies Ordinance contains various provisions regarding resignation, removal and retirement of directors. The Hong Kong Companies Ordinance provides that despite anything in its articles of association or in any agreement between such company and its directors, a company may by ordinary resolution remove a director before the expiration of his period of office. If a member requests that a general meeting of the company be convened to consider a resolution removing a director, he must give the company special notice of that proposed resolution at least 28 days before the meeting. The company must, if practicable, give the members notice of the proposed resolution at the same time and in the same manner as it gives notice of the meeting. There is no equivalent of the 'two-strikes' law in Hong Kong.

Australia	Hong Kong
at the same AGM to determine whether all the directors will need to stand for re-election. If this 'spill' resolution passes with 50 per cent or more of eligible votes cast, then a 'spill meeting' will take place within 90 days. At the spill meeting, those individuals who were directors when the directors' report was considered at the most recent AGM will be required to stand for re-election (other than the managing director, who is permitted to continue to run the company).	
Directors' duties	
The laws governing directors' duties and responsibilities come from three areas, namely; the common law (judge-made law), statute law, under the Corporations Act and a company's constitution. Common law duties include: • duty to act bona fide (in good faith) in the interests of the company as a whole; • duty not to act for an improper purpose; • duties of care and diligence; • duty to retain discretion; • duty to avoid conflicts of interest; • duty not to disclose confidential information; and • duty not to abuse corporate opportunities. Statutory duties include: • duty of care and diligence and the business judgment rule; • duty of good faith; • duty not to make improper use of position; • duty not to make improper use of information; • duty not to trade while insolvent; and • disclosure of material personal interests.	The duties of directors derive from various sources, including the constitution of the company, case law and statute law. The general principles of directors' fiduciary duties are based on the common law and they include: • duty to act in good faith for the benefit of the company as a whole; • duty to use powers for a proper purpose for the benefit of members as a whole; • duty not to delegate powers except with proper authorisation and duty to exercise independent judgment; • duty to exercise care, skill and diligence; • duty to avoid conflicts of interest between personnel interests and interests of the company; • duty not to enter into transactions in which the directors have an interest except in compliance with the requirements of the law; • duty not to gain advantage from use of position as a director; • duty not to make unauthorised use of the company's property or information; • duty not to accept personal benefit from third parties conferred because of one's position as a director; • duty to observe the company's memorandum and articles of association and resolutions; and • duty to keep proper books of accounts.

10.4 Existing Holders

The table below sets out the interests of the top 20 Shareholders as at the date of this Prospectus and immediately following the Offer. The table does not reflect any CDIs which the relevant Shareholders may subscribe for under the Offer or the underlying Shares to be held by CDN.

Existing Holders	Date of Prospectus		Following the Offer		
	Shares	% of Shares on issue	Shares[1]	CDIs[2]	% of Shares on issue[1]
Hope Diary Holdings Ltd	390,000,000	60.00%	390,000,000	390,000,000	52.00%
Dingxi (Shanghai) Equity Investment Management Co., Limited	130,000,000	20.00%	130,000,000	130,000,000	17.33%
Zhiyuan International Holding Co., Limited	65,000,000	10.00%	65,000,000	65,000,000	8.67%
Donghe Group Limited	26,000,000	4.00%	26,000,000	26,000,000	3.47%
Beijing Ruihua Future Investment Management Co., Ltd.	19,500,000	3.00%	19,500,000	19,500,000	2.60%
Integral Capital Group Pty Ltd	19,500,000	3.00%	19,500,000	19,500,000	2.60%
Total	**650,000,000**	**100.00%**	**650,000,000**	**650,000,000**	**86.67%**

Notes: 1. The number/percentage ownership after the Offer assumes the Maximum Subscription of A$20,000,000 (represented by 100,000,000 CDIs) under the Offer.

2. Assuming all Shares are converted to CDIs.

10.5 Litigation

The Company is not involved in any material litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Group.

10.6 Escrow arrangements

The following shareholders of the Company (**Security Holders**) have agreed to enter into voluntary escrow agreements to restrict their ability to deal in the following escrow securities (**Escrow Securities**):

Shareholder	Shareholding at date of Prospectus	Number of Shares/CDIs	Initial Escrow Period	Sell-down restriction period
Hope Diary Holdings Ltd	60.00%	390,000,000	24 months	Nil
Dingxi (Shanghai) Equity Investment Management Co., Limited	20.00%	130,000,000	12 months	12 months
Zhiyuan International Holding Co., Limited	10.00%	65,000,000	12 months	12 months
Total	**90.00%**	**585,000,000**		

The Escrow Securities comprise 78.00% of the Shares/CDIs on issue on completion of the Offer (assuming the Maximum Subscription is raised under the Offer).

We note that after the Initial Escrow Period has expired, the following shareholders of the Company will be subject to a sell-down restriction period of 12 months in relation to their shares:

(a) Dingxi (Shanghai) Equity Investment Management Co., Limited;

(b) Zhiyuan International Holding Co., Limited,

(together, the **Sell-Down Shareholders**).

During the sell-down restriction period of 12 months, the Sell-Down Shareholders may only dispose of a maximum of 1/12 of their shareholdings in any given month. In this regard, we note that no Security Holder will be subject to an escrow restriction in excess of 24 months.

The Escrow Period for the Escrow Securities commences on the date on which the Company is admitted to the official list of the ASX and expires as indicated in the table above. The Escrow Securities may be released earlier than this on:

(a) the acceptance of a bona fide takeover bid made under Chapter 6 of the Corporations Act in respect of a proportion or all of the shares on issue in the Company, provided the holders of at least half of the shares on issue in the Company have accepted the offer made under that bona fide takeover bid. The transfer or cancellation of shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act is also an exception. The Escrow Securities must be returned to escrow if the bid does not become unconditional or the scheme of arrangement does not take effect; or

(b) the shares ceasing to be quoted on the ASX (including as a result of a suspension which lasts for more than five consecutive business days, but not as a result of the Company obtaining a trading halt).

10.7 Interests of Directors

10.7.1 The Interests of Directors

Other than as set out below or elsewhere in the Prospectus, no Director:

(a) has or had at any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; and

(b) has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

10.7.2 Executive Directors' fees and remuneration

Refer to section 5.3 of this Prospectus for a summary of the fees and remuneration which are paid by the Company to its Executive Directors and officers.

Each Executive Director is also entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he or she serves.

10.7.3 Non-Executive Directors' compensation

Refer to section 5.3 of this Prospectus for a summary of the fees which are paid by the Company to its Non-Executive Directors and each Non-Executive Director who serves as the chairman of the Audit and Risk Management Committee and Remuneration and Nomination Committee. The fees and remuneration paid by the Company to its Non-Executive Directors reflects the Non-Executive Director compensation package adopted by the Board on 29 October 2015.
Each Non-Executive Director is also entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and any committee on which he or she serves.

10.8 Directors' interests in securities

The table below sets out the interests of the Directors as at the date of this Prospectus. Refer to section 5.1 for further details.

Director	Number of Shares/CDIs[1, 2] held directly	Number of Shares/CDIs[1, 2] held indirectly	% of issued Shares at the Date of this Prospectus	% of issued CDIs[2] after the Offer based on the Maximum Subscription
Mr. Enjia Liu[3]	Nil	2,697,625	0.42%	0.36%
Mr. Youliang Wang	Nil	84,632,999	13.02%	11.28%
Mr. John James Fick	Nil	Nil	Nil	Nil
Mr. David Paul Batten	Nil	Nil	Nil	Nil
Mr. Lidong Jiang	Nil	Nil	Nil	Nil

Notes:
1. The Directors may subscribe for additional CDIs under the Offer.
2. Assuming all Shares held were converted to CDIs.
3. Mr. Enjia Liu's wife and son hold approximately 68,526,285 Shares in aggregate, indirectly in the Company, representing an interest of 10.54% in the Company's Shares at the date of this Prospectus. If the Maximum Subscription were to be raised, their interest in the Company's Shares would equate to 9.14%.

10.9 Indemnification of Directors and officers

The Hong Kong Companies Ordinance provides that any provision contained in the company's articles, or in any contract with the company or otherwise, for exempting any officer of the company from, or indemnifying him or them against, any liability for negligence, default, breach of duty, or breach of trust, in relation to the company or a related company is void. A company may purchase insurance for any of its officers against any liability to the company, a related company, or any other party in respect of any negligence, default, breach of duty, or breach of trust (except fraud) and against liability incurred by him in respect of defending any such proceedings.

The Hong Kong Companies Ordinance also provides that a company may indemnify its officers against the costs incurred by them in defending any proceedings, civil or criminal, in which judgment is given in their favour or in which they are acquitted. The Company's Articles of Association have made provision for such an indemnity.

10.10 Related party interests

The Group has entered into agreements with a number of related parties. Key related party agreements are summarised in the table below.

Contract	Summary of Contract
Loan Agreement	In March 2015, Zhongxian, the parent of the two operating subsidiaries in China, and Mr. Enjia Liu entered into a Loan Agreement. The Loan Agreement allows Zhongxian to borrow a sum of up to RMB 50,000,000 (A$10,771,451) from Mr. Liu at no interest and with no specified repayment period. For further information, please refer to section 9.5.
Employment Agreement	Mr Zhengxin Liu, the son of Mr. Enjia Liu, is employed by Zhongxian as the director of human resources. Mr. Zhengxin Liu holds approximately 61,181,653 Shares, indirectly in the Company, at the date of this Prospectus. For further information, refer to section 9.7.

10.11 Taxation implications of investing under the Offer

The taxation consequences of any investment in CDIs will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course you should follow, you should seek your own professional advice. This overview is based on legislation as currently enacted. The following is general in nature and should not be relied upon or used as advice.

10.11.1 Australian tax implications

For the Company

The Company was not incorporated in Australia nor does it carry on any business in Australia. Therefore, there are no Australian income tax implications for the Company arising from the IPO of CDIs and listing on the ASX because the Company is not an Australian tax resident and it currently has no taxable presence in Australia via a permanent establishment.

Australian income tax implications will need to be considered if the Company has a presence in Australia via a permanent establishment.

CDI Holder and shareholder income tax implications

The following advice for CDI Holders and shareholders are relevant for resident investors who hold their CDI/shares as long term investments on capital account.

Dividends from the Company received by Australian tax resident individuals must be included in their assessable income as foreign income. As the Company is incorporated in Hong Kong, and Hong Kong does not impose withholding tax on dividends paid, no claims for a foreign income tax offset will arise for prospective investors. No franking credits will be available as the Company will not maintain a franking account.

Australian resident corporate shareholders with 10% or more of the voting power in the Company would not be taxable on dividends received. If the holding is less than 10%, the resident corporate shareholders are taxable on dividends received.

There will be no Australian income tax implications for non-Australian tax resident individuals and temporary Australian residents receiving dividends as they are only assessed on Australian sourced income (dividends from the Company are foreign income).

The objective of the Company is to possibly commence operations in Australia. To the extent that Australian activities commence, Australian tax is payable by the Company, however as the Company is resident of Hong Kong, dividends paid by the Company will be ineligible for franking credit benefits, hence the Company will not be able to pass through franking credits representing Australian tax paid.

Capital gains tax (CGT) from Disposal of CDIs

The disposal of CDIs by Australian tax residents on the ASX will trigger CGT event A1. The CDI holder will make a capital gain when the capital proceeds received from the disposal of the CDI or shares exceed its original cost base. Similarly, a capital loss will be incurred if the CDI holder or shareholder receives capital proceeds that are less than the reduced cost base. Capital losses can be carried forward to offset future capital gains. The conversion between CDIs and shares does not trigger a CGT event because the beneficial ownership of the Company’s CDIs or shares does not change.

Australian tax resident individuals and trusts that hold their CDIs for more than 12 months will be entitled to discount any capital gain by 50%. Australian tax resident superannuation funds that hold their CDIs for more than 12 months will be entitled to discount any gain by 33.3%. Australian tax resident companies are not entitled to the CGT discount.

The disposal of CDIs by an Australian tax resident company will be subject to CGT in Australia. If an Australian tax resident company that holds an amount of CDIs that gives the company the equivalent of a direct voting percentage of 10% or more in the Company, trades their CDIs, the capital gain or loss is reduced by a percentage that reflects the active foreign business assets of the Company at the time of the CGT event.

The disposal of CDIs by non-Australian tax resident entities and temporary Australian tax resident entities will not be taxable in Australia as the Company currently does not have any real property in Australia. Therefore the CDIs are not taxable Australian property.

This is provided the CDIs are held on capital account. If held on revenue account then the gain on disposal will be included in assessable income of Australian resident taxpayers. We would recommend that advice is sought to determine appropriate characterisation on disposal.

10.11.2 Other Australian tax implications

Accruals taxation

Please note the Australian accruals taxation system aims to tax Australian residents on an accruals basis on their share of tainted income derived by certain foreign entities which has not been comparably taxed offshore by attributing the entity's income to the Australian resident even if the income has not been distributed. Investors considering investing in the Company should seek their own independent advice in relation to the potential impact of the Controlled Foreign Company (**CFC**) rules.

Tainted income is passive income (being interest, dividends and royalties) and certain business income from transactions with Australian residents and related parties.

Goods and Services Tax

No GST is payable upon the issue, acquisition or disposal of a CDI/share or on dividends to a CDI/shareholder.

Stamp Duty

If a CDI/share is quoted on the ASX at the relevant time, no stamp duty should be payable on the issue, transfer or redemption of a CDI/share.

Quotation of Tax File Number ("TFN") or Australian Business Number ("ABN")

There is no withholding taxes levied by Hong Kong on dividends paid to Australian residents and quotation of TFNs and ABNs are not required to the Company.

10.11.3 Hong Kong tax implications

The Company itself will derive China sourced income from its subsidiaries in China, which may be in the form of dividends, management income, administrative reimbursements, interest or royalties.

Taxation of interest income

Interest income received by the Company from deposits placed in Hong Kong with an authorised institution is exempt from Hong Kong profits tax provided that the deposit is not used to secure or guarantee money borrowed generating tax deductible interest expenses. Interest income received by the Company from offshore bank deposits should be non-taxable on the basis that the provision of credit is made outside Hong Kong.

Taxation of dividend income

Dividend income received from local corporations is specifically exempt from Hong Kong profits tax. In addition, dividend income received from overseas corporations is regarded as having a non-Hong Kong source and therefore is also not subject to Hong Kong profits tax.

Taxation of other income

Other income derived by the Company such as management income, administrative reimbursements and royalties may be taxable in Hong Kong at the company rate of 16.5% if it is considered to be derived in Hong Kong.

10.11.4 People's Republic of China (PRC) tax implications

The Company's subsidiaries in China will derive China sourced income and be liable for tax in China. The Company itself will derive China sourced income from its subsidiaries in China, which may be in the form of dividends, management income, administrative reimbursements, interest or royalties. All transactions between the Company and its subsidiaries in China will have to comply with China's transfer pricing laws.

PRC Tax Law and Hong Kong tax implications on dividends received by the Company

PRC tax law prescribes a withholding tax (**WHT**) of 10% on dividends and other PRC sourced passive income of PRC non-resident enterprises, unless there is a tax treaty in place which sets out otherwise. Pursuant to a treaty between Hong Kong and China effective 21 August 2006, a company incorporated in Hong Kong will be subject to WHT of 5% on dividends it receives from its PRC subsidiary if it holds more than 25% interest in the PRC subsidiary (otherwise it remains at 10%).

The State Administrative of Taxation of China (SAT) published a tax notice on 27 October 2009 which provides the tax treaty benefit will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance over form" principal to determine whether or not to grant tax treaty benefits.

On this basis the Company (a company incorporated in Hong Kong) should only be subject to 5% WHT on the dividends it receives from its PRC subsidiaries, however this is subject to confirmation from the PRC tax authorities and is not automatically applied. Should confirmation not be provided, then the dividends received by the Company from its PRC subsidiaries would be subject to WHT of 10%.

The above tax comments are designed to be general information in nature and do not constitute tax advice. Shareholders should seek professional advice on how the matters considered above apply to them.

10.12 Interests of experts and advisors

Other than as set out below, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

(a) has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or

(b) has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Phillip Capital Limited has acted as Lead Manager of the Offer. Fees and commissions are payable to Phillip Capital Limited for these services in accordance with the terms set out in section 9.6. The Lead Manager may, at its discretion, invite external brokers to take part in its fundraising activities pursuant to the Offer.

BlueMount Capital (Sydney) Pty Ltd has acted as the Australian Corporate Advisor to the Offer. The Company has agreed to pay A$70,000 in retainers and A$130,000 plus 1% of all capital raised to BlueMount Capital (Sydney) Pty Ltd as cash success fees upon completion of the Offer.

Beijing Ruihua Future Investment Management Co., Ltd has acted as the PRC Corporate Advisor to the Offer. While no cash fees are payable to Beijing Ruihua Future Investment Management Co., Ltd for these services, in accordance with the terms of the engagement letter, the Company issued 19,500,000 Shares to Beijing Ruihua Future Investment Management prior to the date of this Prospectus.

Hall Chadwick Corporate (NSW) Limited has acted as the Australian Investigating Accountant to the Company and provided the Investigating Accountant's Report under section 8 of this Prospectus. The Company has paid or agreed to pay an amount of approximately A$60,000 (plus disbursements) in respect of these services. Further amounts may be paid to Hall Chadwick Corporate (NSW) Limited in accordance with time-based charges.

HWL Ebsworth Lawyers has acted as the Australian legal advisor to the Company and performed work in relation to due diligence enquiries on Australian legal matters. The Company has paid or agreed to pay an amount of A$200,000 (plus disbursements) in respect of these services. Further amounts may be paid to HWL Ebsworth Lawyers in accordance with time-based charges.

Beijing Jingze Law Firm has acted as PRC legal advisor to the Company and performed work in relation to due diligence enquiries on PRC legal matters. The Company has paid or agreed to pay an amount of approximately A$32,314 in respect of these services. Further amounts may be paid to Beijing Jingze Law Firm in accordance with time-based charges.

H.M. Chan & Co has acted as Hong Kong legal advisor to the Company and advised the Company in relation to its restructure and in relation to Hong Kong company law and securities offering related matters from a Hong Kong law perspective. The Company has paid or agreed to pay an amount of US$30,000, approximately A$40,995 in respect of these services. Further amounts may be paid to H.M. Chan & Co in accordance with time-based charges.

10.13 Offer expenses

The Company will pay all of the costs associated with the Offer. The table below outlines the cash expenses of the Offer (excluding any applicable GST).

Use of funds from the Offer	Minimum Subscription (A$15,000,000)	Maximum Subscription (A$20,000,000)
Lead Manager[1]	1,800,000	2,375,000
Corporate advisory[2]	350,000	400,000
ASX and ASIC fees[3]	175,229	177,316
Accounting, legal and other advisor fees[4]	350,292	350,292
Printing, design and miscellaneous	70,000	70,000
Total	**2,745,521**	**3,372,608**

Notes:

1. Consists of cash brokerage fees payable to the Lead Manager. The Lead Manager is also entitled to a success fee in Shares that will be issued after the completion of the Offer. The number of Shares issued will be calculated to be 2% (plus GST) of the amount of capital raised under the Offer at the IPO price and will equal 1,650,000 Shares at the Minimum Subscription and 2,200,000 Shares at the Maximum Subscription. Refer to section 9.6 for further information on the Lead Manager's mandate.
2. Corporate advisory fees cover the fees payable to the Corporate Advisors and cover the management of the IPO process; the selection and management of other advisors; co-ordination and advice on the presentation and marketing of the Company; advice on the offer structure, the amount of equity to be offered, restrictions on equity trading and Share structure, the dividend policy and capital structure post IPO; advise on the timing and likely pricing of the offering; participation in the due diligence process; preparation of the IPO prospectus and related documentation and assistance in dealings with ASX and ASIC in relation to the IPO.
3. ASX fees are based on the issue price of the CDIs and the anticipated issued share capital of the Company after allotment of the CDIs.
4. Accounting, legal and other advisor fees include fees paid to advisors in US$, SGD and RMB. These have been converted to A$ using exchange rates as at the Conversion Date.

10.14 Consents

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Each of the parties referred to below has not caused the issue of this Prospectus and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

Contract	Named as	Reports or Statements
Phillip Capital Limited	Lead Manager	No
BlueMount Capital (Sydney) Pty Ltd	Australian Corporate Advisor	No
Beijing Ruihua Future Investment Management Co., Ltd	PRC Corporate Advisor	No
Hall Chadwick Corporate (NSW) Limited	Investigating Accountant	Investigating Accountant's Report on Historical and Pro-forma Financial Information in section 8. Tax implications of investing under the Offer in section 10.11.
HWL Ebsworth Lawyers	Australian legal advisor to the Offer	No
Beijing Jingze Law Firm	PRC legal advisor to the Offer	No
H.M. Chan & Co	Hong Kong legal advisor to the Offer	No
Boardroom Pty Limited	Share Registry for the Company	No

10.15 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of CDIs in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Lead Manager on 03 9618 8291 (from within Australia) or +61 3 9618 8291 (from outside Australia) and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

10.16 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

10.17 Statement of Directors

The Directors report that after due enquiries by them, in their opinion since the date of the audited financial statements disclosed in section 7 of this Prospectus, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of the Company by:

Mr. John James Fick
Deputy Chairman and Independent Non-Executive Director

11 GLOSSARY

In this Prospectus, the following terms and abbreviations have the following meanings, unless the context otherwise requires:

Term	Definition
A$ or AUD	The lawful currency of Australia.
AEST	Australian Eastern Standard Time in Sydney, as adjusted for daylight saving, if applicable.
AHVB	Harbin Animal Husbandry and Veterinary Bureau.
Allotment Date	The date on which CDIs are allotted under the Offer.
Applicant	Person who submits a valid Application Form pursuant to this Prospectus.
Application	A valid application to subscribe for CDIs under the Offer pursuant to this Prospectus.
Application Form	The application form attached to or accompanying this Prospectus for investors.
Application Monies	Money submitted by applicants under the Offer in respect of their applications for CDIs.
AQSIQ	State Administration for Quality Supervision and Quarantine.
ASIC	The Australian Securities and Investments Commission.
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532).
ASX Settlement Operating Rules	The settlement rules of the settlement facility provided by ASX Settlement.
ASX	ASX Limited (ABN 98 008 624 691) or the securities market it operates, as the context requires.
ASX Corporate Governance Principles	The ASX Corporate Governance Principles and Recommendations (3rd Edition) of the ASX Corporate Governance Council as at the date of this Prospectus.
Australian Corporate Advisor or BlueMount Capital	BlueMount Capital (Sydney) Pty Ltd (AFSL License number 456663 and authorised representative number 000400409).
Board	The board of Directors of the Company.
CAGR	Compound annual growth rate.
CDI	A CHESS Depositary Interest in one Share.
CDN	CHESS Depositary Nominees Pty Limited.
CFU	Colony forming units
Chairman	Mr Enjia Liu.
CHESS	The Clearing House Electronic Sub-Register System of share transfers operated by ASX Settlement.
CHESS Depositary Interest	CHESS Depositary Interest represent the beneficial interest in shares in a foreign company such as the Company.

Term	Definition
	Further information is detailed in section 10.2
Closing Date	The date the Offer closes.
Company	China Dairy Corporation Limited, a company incorporated in Hong Kong with company registration number 2190508 and with ARBN 607 996 449.
company-raised cows	Dairy cows owned and raised by the Group.
Conversion Date	15 October 2015.
Corporations Act	The Corporations Act 2001 (Cth).
CMCI	China Modern Agricultural Information Inc.
Directors	Directors of the Company as at the date of this Prospectus.
Executive Director	A Director appointed as an executive director of the Company.
Existing Holders	Those persons or entities who are holders of securities of the Company as at the date of this Prospectus.
Exposure Period	The seven day period after the date of lodgement of the Prospectus with ASIC. This period may be extended by ASIC for a further period of up to seven days.
FAO	Food and Agricultural Organisation of the United Nations.
farmer-owned cows	Dairy cows owned by external farmers.
farmer-raised cows	Dairy cows owned by the Group and entrusted to local farmers.
FMD	Food and mouth disease.
Group	The Company and its subsidiaries as detailed in section 3.
GST	Goods and services tax, being a tax charged on the sale of most goods and services in Australia.
HK$ or HKD	The lawful currency of Hong Kong.
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China.
Hong Kong Companies Ordinance	The Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time.
Hong Kong Securities and Futures Ordinance	The Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time.
IAR	Investigating Accountant's Report.
IPO	The Company initial public offering of its CDIs (and the Shares underlying the CDIs).
Jiasheng Consulting	Harbin Jiasheng Consulting Management Co., Ltd.
Lead Manager	Phillip Capital Limited ACN 002 918 247 (AFSL License number 246827).
Letters of Appointment	The letter of appointment entered into by each of the Non-Executive Directors.
Listing Rules	The official Listing Rules of the ASX as amended from time to time.
LUR	Land use right.

Term	Definition
Material Contracts	Those contracts listed and summarised in section 9 of this Prospectus.
Maximum Subscription	The maximum subscription amount being sought by the Company under the Offer, being A$20,000,000.
Milk Sales Commissions	The right to 30% of the milk sales revenue generated from farmer-owned cows.
Minimum Subscription	The minimum subscription amount being sought by the Company under the Offer, being A$15,000,000.
mL	Millilitres
MOA	Ministry of Agriculture of the PRC.
New Shareholder	An investor who subscribes for CDIs under the Offer.
Non-Executive Director	A Director appointed as a non-executive director of the Company.
OECD	Organisation for Economic Development.
Offer	The invitation in this Prospectus to subscribe for CDIs (and the Shares underlying the CDIs).
Offer Period	The period during which investors may subscribe for CDIs under the Offer.
Offer Price	A$0.20 per CDI (equivalent to A$0.20 per Share).
Opening Date	The date the Offer opens.
PRC or China	People's Republic of China, which for the purposes of this Prospectus, excludes Hong Kong and Macau Special Administrative Regions of the PRC, and Taiwan.
PRC Corporate Advisor	Beijing Ruihua Future Investment Management Co., Ltd
PRC Legal Advisor	Beijing Jingze Law Firm
Prospectus	This Prospectus, dated 30 October 2015 for the issue of a maximum of 100,000,000 CDIs (and the underlying Shares).
Related Body Corporate	Has the meaning ascribed to that term in the Corporations Act.
RMB	Renminbi (¥) being the official currency of the PRC.
Services Agreement	The employment agreement entered into by each of the Executive Directors.
SGD	The lawful currency of Singapore.
Shareholder	A holder of Shares or CDIs.
Shares	Shares of fully paid common stock in the capital of the Company.
Share Registry	Boardroom Pty Limited ACN 003 209 836
SPC	Standard plate count.
TMR	Total mixed rations.
Tradelink	Tradelink Wholesalers Inc.
US$ or USD	The lawful currency of the United States of America.
US	United States of America.

Term	Definition
VDG	Value Development Group Limited
VDH	Value Development Holdings Limited.
Xinhua Cattle	Heilongjiang Xinhua Cattle Industry Co., Limited
Yulong Cattle	Shangzhi Yulong Cattle Co., Ltd.
Zhongxian	Heilongjiang Zhongxian Information Co., Limited.

CORPORATE DIRECTORY

Company

China Dairy Corporation Limited
Hong Kong Company Registration Number: 2190508
ARBN: 607 996 449

Board of Directors

Name	Position
Mr. Enjia Liu	Executive Chairman
Mr. Youliang Wang	Chief Executive Officer
Mr. John James Fick	Deputy Chairman and Lead Independent Director
Mr. David Paul Batten	Independent Director
Mr. Lidong Jiang	Independent Director

Registered Address

C/- BlueMount Capital
Suite 4, Level 10, 8-10 Loftus Street
Sydney NSW 2000 Australia

Hong Kong Company Secretary

Sky Charm Secretarial Services Limited
Unit A1, 7/F Cheuk Nang Plaza
250 Hennessy Road
Wanchai, Hong Kong

Proposed ASX Code

CDC

Lead Manager

Phillip Capital Limited
Level 12, 15 William Street
Melbourne VIC 3000 Australia

Corporate Advisor (Australia)

BlueMount Capital (Sydney) Pty Ltd
Suite 4, Level 10, 8-10 Loftus Street
Sydney NSW 2000 Australia

Corporate Advisor (China)

Beijing Ruihua Future Investment Management Co., Ltd.
Room 1702, No. 5 Jincheng Jianguo
Jianguo Gate North Street
Dongcheng District, Beijing China

Investigating Accountant

Hall Chadwick Corporate (NSW) Limited
Level 40, 2 Park Street
Sydney NSW 2000 Australia

Legal Advisor (Australia)

HWL Ebsworth Lawyers
Australia Square, Level 14
264-278 George Street
Sydney NSW 2000 Australia

Legal Advisor (China)

Beijing Jingze Law Firm
Room 805, Langquin International Building
Block A, Guangan Menwai Street
No. 168 Beijing Xicheng District

Legal Advisor (Hong Kong)

H.M. Chan & Co
21st Floor
8 Queen's Road
Central Hong Kong

Share Registry

Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000 Australia