

ASX Announcement

19 October 2016

Re: China Dairy Corporation Limited (the “Company”) – Presentation at the 7th Australian Microcap Investment Conference

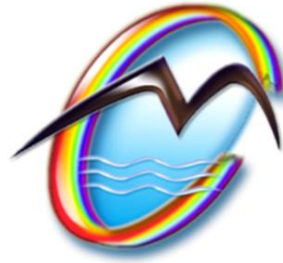
The Hon. Andrew Stoner gave a presentation on the Company at the 7th Annual Microcap Conference held in Melbourne on the 19th of October 2016. For the benefit of all shareholders, the Company attaches the presentation slides used at the conference.

For and on behalf of China Dairy Corporation Limited,



David Paul Batten

Independent Director and Local Agent



China Dairy Corporation Limited

(ASX:CDC)

Investor Presentation

2016



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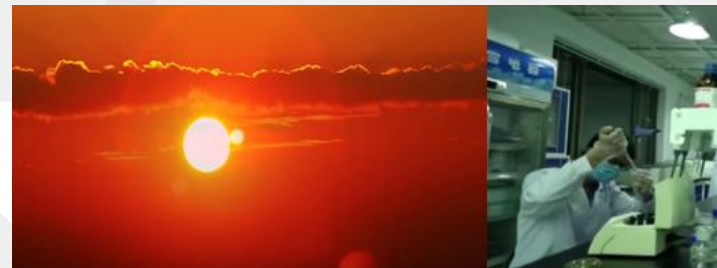
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China Dairy Corporation

- China Dairy Corporation (CDC) was established in 2005
- A leading producer and wholesale distributor of raw milk and a breeder and seller of dairy cows in China
- 590 employees located in China's northernmost province Heilongjiang
- Owns approximately 35,000 cows and partners with farmers with an additional 14,000 cows as at 30 June 2016
- CDC's cows have an average annual milk yield of 8.6 tonnes per milkable cow and its partner's cows have any average annual milk yield of 8.1 tonnes per milkable cow.
- CDC and its farmers exclusively use Holstein cows, due to their high milk production capacity



China Dairy Corporation | Business Models

Business Model 1 Sale of Raw Milk

- ❑ Owns over 35,000 cows | 30 June 2016
- ❑ Outsources over 70% of the cow rearing to local farmers who raise and feed the cattle, providing the milk produced by the cows in return
- ❑ Exclusively uses Holstein cows for milk production
- ❑ Milkable cows number 20,000 and produce an average of 8.6 tonnes of milk per year per cow
- ❑ Milk is sold to four customers
- ❑ Customer contracts set the price of milk | RMB 3.45 – 3.80 per kg
 - ❑ Provides stability from volatile milk prices

Business Model 2 Milk Sales Commissions

- CDC sells its cows to dairy farmers
- Arranges the sale of the milk produced on behalf of the farmers in exchange for 30% of monthly milk sales
- Currently receiving commissions on the sale of milk from approximately 14,000 cows | 30 June 2016
- This revenue stream has helped CDC hedge its exposure to risks related to increasing feeding costs, while still generating revenues through the sale of milk (from milk sales commissions) and keeping direct costs relatively low
- Milk from farmers is sold to four customers
- Customer contracts set the price of milk | RMB 3.45 – 3.60 per kg

China Dairy Corporation | Operations

China Dairy Corporation operates in the renowned agriculture & dairy province of Heilongjiang In northern China



CDC Land Use Rights

- ✓ Land across 5 sites in Heilongjiang province
- ✓ Footprint of over 17.8 million square meters
- ✓ Long term leases, earliest expiring in 2021
- ✓ Heilongjiang province has a humid and continental climate
- ✓ Ideal for grass growing, essential in the grazing and feeding of CDC cattle



CDC Quality Control

All customer contracts are based on the company providing milk that adheres to minimum quality standards – the majority of these are at higher standards than those imposed by China's government.

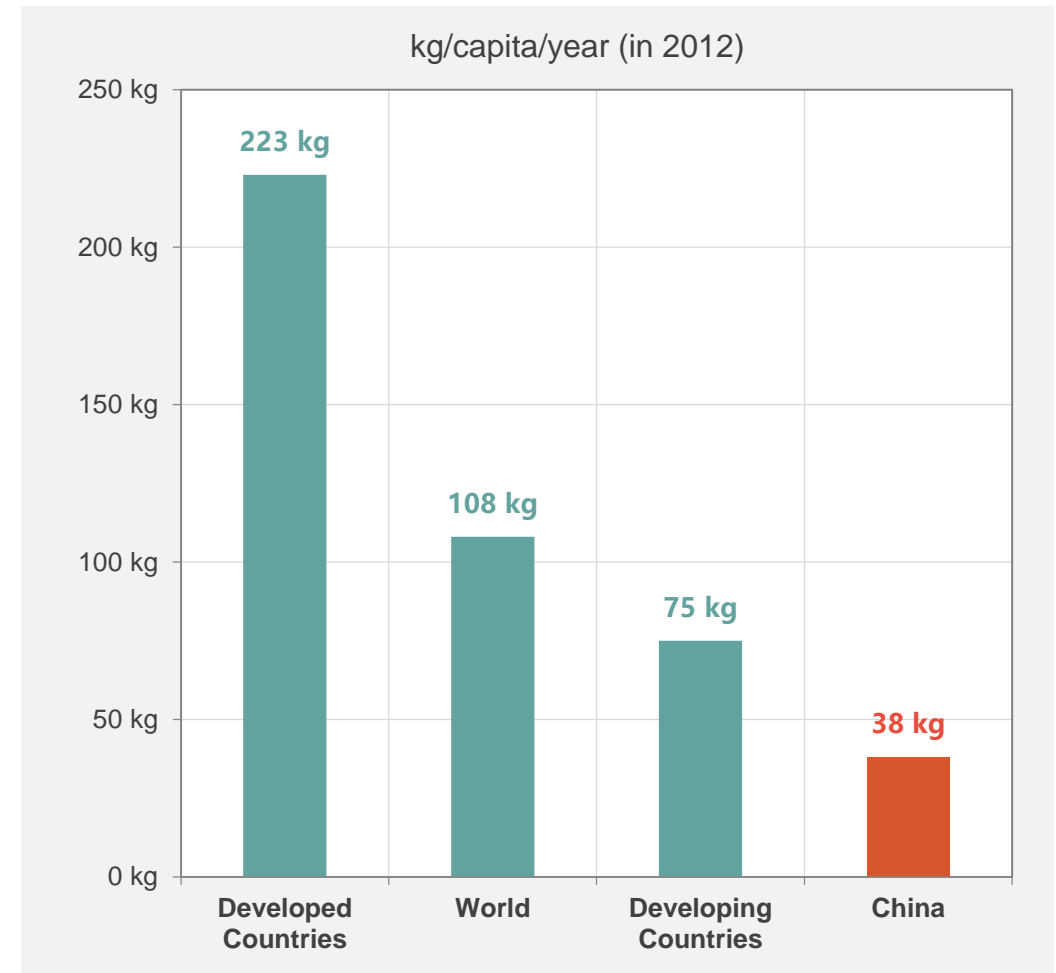
Cows are fed with nutritional feedstuff through a total mixed ration methodology so milk produced has good nutritional value and has helped to materially reduce CDC's cultivation costs since being implemented.

China Dairy Corporation | China's Dairy Industry

Dairy Industry

- China's per capita milk consumption is well below developed countries, developing countries and the world
- Demand of dairy products expected to outstrip local supply over the long term
- Supportive policy environment on both supply and demand sides of the dairy industry
- China's removal of the one child policy is expected to increase further demand for dairy products

Per Capita Milk Consumption¹



1. Food and Agriculture Organization of the United Nations, CNIEL

China Dairy Corporation | Industry Participants

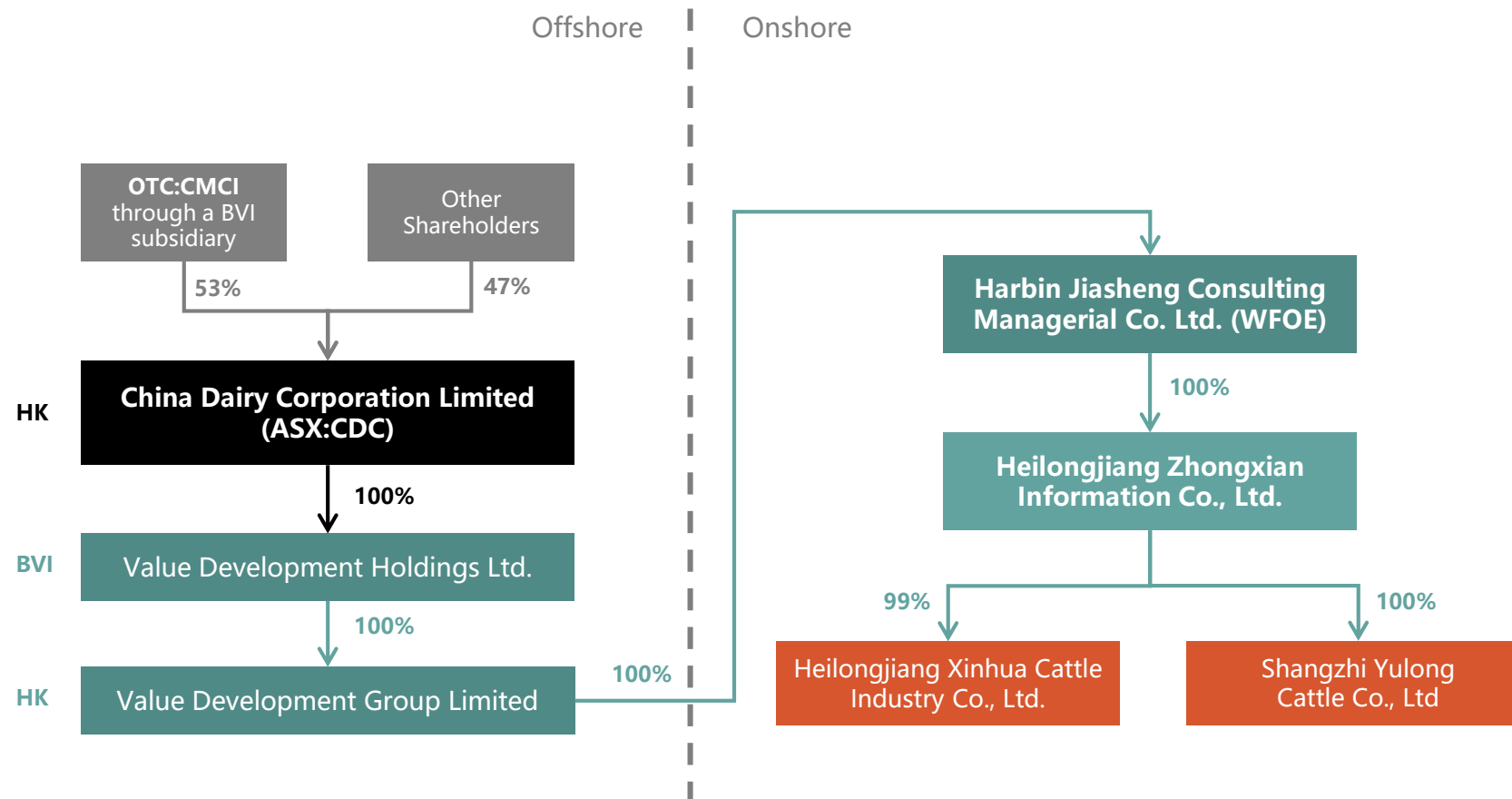
Number of farms by herd size (all of China)¹

	2007	2008	2009	2010
1 to 99 cows	2,660,850	2,578,503	2,392,340	2,299,016
100 to 999 cows	7,525	8,130	9,438	10,280
Over 1,000 cows	339	454	706	898
Total	2,668,714	2,587,087	2,402,484	2,310,194

1. Ministry of Agriculture of the People's Republic of China

- Industry very fragmented and dominated by small operations at the national level
- In 2010, only 0.5% of farms in China had a herd size of over 100 cows
- Heilongjiang had 2,100 farms with herd sizes over 100 in 2013
- Industry moving towards larger farms

China Dairy Corporation | Corporate Structure



Major shareholder is CMCI, an OTC Markets (US) listed company which, through a wholly owned subsidiary, owns 53% of CDC

China Dairy Corporation | Board of Directors



Mr Enjia Liu

Executive Chairman

- Executive Chairman of CMCI and CDC
- Broad base of knowledge and experience in the agriculture industry
- Served extensively through leadership and academic positions and is a dedicated researcher of China's economic behavior and reform
- Serves as the director of China's Economic Behavior Centre
- Doctor of Social Science from Beijing University and a Master of Economics from the Heilongjiang Commercial College



Mr. Youliang Wang

Chief Executive Officer

- Executive Director of CMCI and CEO of CDC
- Experience at Tonghua Branch of China Construction Bank, Yunnan Nanyao Jiaoxiong Pharmaceutical Co., Ltd and Guofa Venture Investment Co., Ltd
- Founder and General Manager of Tonghua Hongyuan Trading Co., Ltd.
- Graduated from Jilin University with a degree in Finance



Mr. Hon. Andrew Stoner

Deputy Chairman
Independent Non-Executive Director

- Member of the New South Wales Legislative Assembly, representing the electorate of Oxley from 1999 to 2015.
- Leader of the Nationals NSW (2003 - 2014) and Deputy Premier of NSW and Minister for Trade & Investment, Tourism & Major Events, Small Business, Regional Infrastructure & Services (2011 - 2014).
- Currently holds several directorships and is a Senior Adviser to a number of companies and industry bodies.



Mr. David Batten

Independent
Non-Executive Director

- More than 25 years of experience in financial markets, including Bankers Trust Australia, Goldman Sachs, JBWere and the Republic Bank of New York, with more than half of those years in management.
- Specialty in derivatives, experience in the bullion, equities, commodities, foreign exchange and interest rate markets.



Mr. Lidong Jiang

Independent
Non-Executive Director

- Holds senior positions within the Border Area Economic Society of China, the council in Heilongjiang Animal Husbandry Economy Society, the council in China Animal Husbandry Economy Society, Rural Development Research Institute in Heilongjiang Province, Economic Societies in Heilongjiang and Scientific Advisory Committee in Heilongjiang Province.
- Master of Economics from Beijing University.



China Dairy Corporation

- CDC was the first Chinese dairy producer to list on the ASX (April 8, 2016)
- Market capitalisation¹ of **A\$121m** - P/E of 2.7x
- FY2015 Revenue **US\$101.0 million** | A\$129.4 million
- FY2015 NPAT² **US\$35.3 million** | A\$45.2 million
- Declared interim dividend of **A\$0.0057** per CDI (May 2016)

Notes

1. Market data as at 14 October 2016
2. NPAT refers to net income attributable to common shareholders

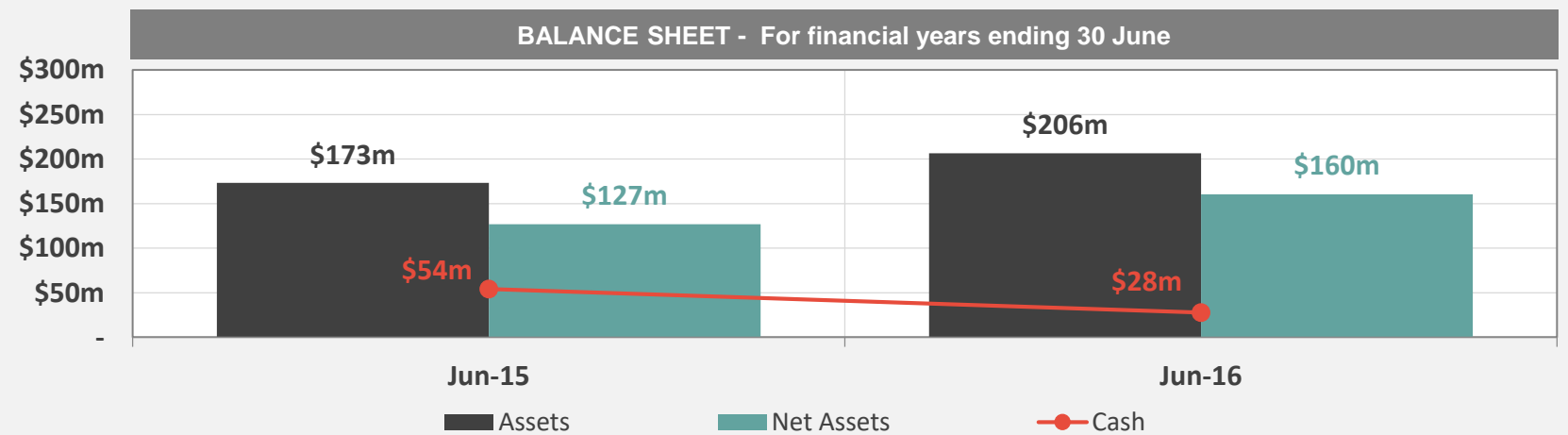
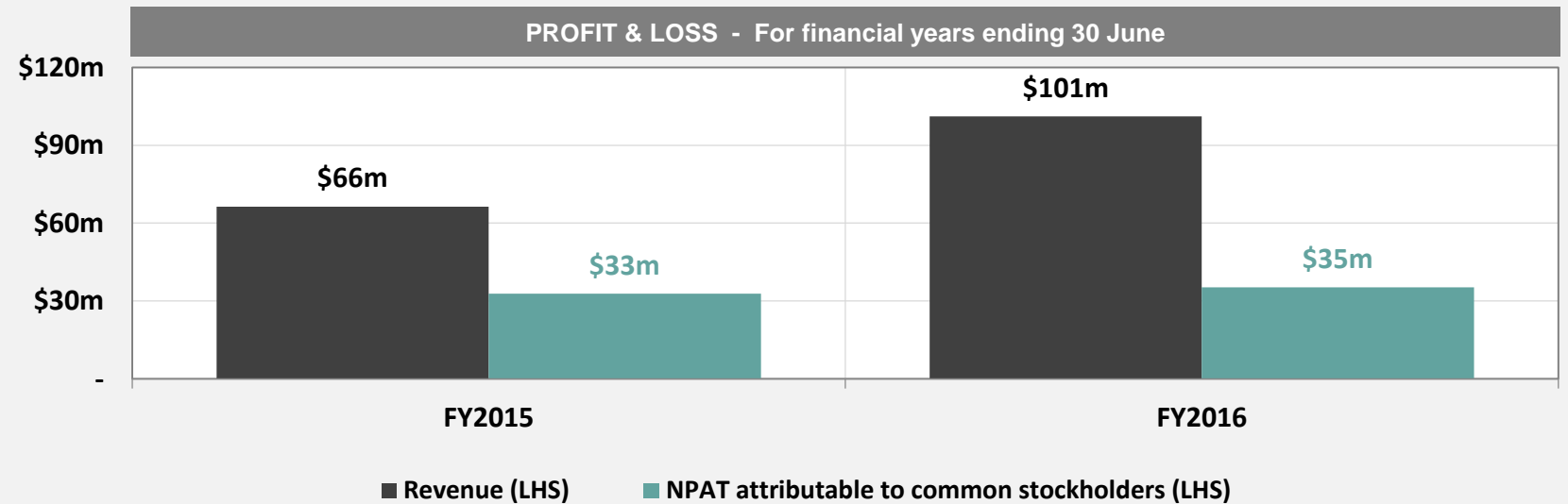


China Dairy Corporation | Financials (USD)

Strong record of historic growth

-|-

Healthy balance sheet and cash position to fund expansion



China Dairy Corporation | Financial Commentary (1/2)

Key Financial Data (in USD 000's)	FY2015	FY2016	% Change
Milk Sales	48,442	81,605	68.5%
Sales commissions	17,894	19,486	8.9%
Total Revenue	66,335	101,091	52.4%
Gross Profit	46,106	43,465	(5.7%)
<i>Gross profit Margin</i>	<i>69.5%</i>	<i>43.0%</i>	
Net income attributable to common shareholders (NPAT)	32,774	35,302	7.7%
<i>NPAT Margin</i>	<i>49.4%</i>	<i>34.9%</i>	
Cash (as at 30 June)	54,146	27,713	(48.8%)
Total Assets (as at 30 June)	173,120	206,301	19.2%
Equity (as at 30 June)	126,905	160,474	26.5%

■ FY2016 milk sales revenue growth of 68.5% due to:

- Large growth in Company's herd from 22,206 heads (9,966 milkable cows) at 30 June 2015 to 35,508 heads (20,130 milkable cows) at 30 June 2016
- In November, CDC replaced 4 old customers with 3 new customers under 2 year contracts setting the milk sale price at RMB 3.80/kg (up from RMB 3.50/kg)

■ FY2016 sales commissions revenue growth of 8.9% due to:

- Average sales commission cows grew to number 16,517 over FY2016, compared to 15,455 over FY2015
- In February 2016, contracted milk prices for 3 out of 4 customers that CDC sells milk from sales commission cows to increased from RMB 3.35/kg to RMB 3.60/kg

■ Total revenue grew 52.4%, reaching over US\$100m

China Dairy Corporation | Financial Commentary (2/2)

Key Financial Data (in USD 000's)	FY2015	FY2016	% Change
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■ Gross profit decreased by 5.7% due to:

- Higher cost of feeding the Company's cows
- A one-off grant of US\$1.1m paid to CDC's outsourced farmers to help them improve their farmlands and equipment
- Depreciation from large capital investments to:
 - Make improvements and additions to two new farmlands that CDC acquired in May 2015
 - Investment in building a forage production plan on its grasslands
 - Increase in the Company's biological assets
- Increased labour costs incurred due to the increase in the Company's herd size, production capacity and new farmlands

■ NPAT margins healthy at 34.9% in FY2016

■ Assets and equity increased by 19.2% and 26.5% respectively

■ Cash position down 48.8% due to increased capital investment but remains strong and will allow CDC to progress expansion plans

China Dairy Corporation | Strategic Growth Initiatives (1/3)

In China...



■ Processed liquid milk for children

- Company at early stages of developing a new business stream which produces processed liquid milk for children
- Currently in R&D phase of the project looking at different types of feed and product types
- Signed an agreement with the Northeast Agricultural University to investigate different diets for cows
 - Key aim for the company is to develop specialized feed that will enable its cows to produce raw milk which has all the nutritional requirements for children without the need for additives to be put in during the processing stage
- CDC currently investigating Mongolia as a second test base for its processed liquid milk business due to low labour and land costs and established dairy industry
 - Management have travelled to Mongolia repeatedly with the intention of establishing a mid-sized dairy farm and subsequently acquiring 800-1,200 cows to conduct breeding experiments.
- Initial R&D phase of project expected to last a few years before the Company builds a small-scale production facility

China Dairy Corporation | Strategic Growth Initiatives (2/3)

In China...



■ Optimising the age structure of its herd

- Company has begun to optimise the age structure of its herd
- Goal is to reduce the proportion of older milkable cows while also increasing the total number of milkable cows
- Between 30 June 2015 and 30 June 2016, number of milkable cows increased by 57.9% while the proportion of milkable cows increased from 44.9% to 57.4%
- The optimisation will happen primarily through the acquisition of new cows and will help increase long-term performance and maintain competitiveness
- Company acquired 8,300 cows and sold 2,282 cows in line with this strategy over FY2016

■ Changing the sales commission structure

- CDC sells cows with repayment periods of 1-8 years over which the purchaser provides 30% of the milk sales revenue to CDC
- The Company is investigating reducing the commission to 20% while increasing the repayment period to 6-8 years so that a larger number of cows are sold, resulting in greater production from a business model where the Company has low direct costs

China Dairy Corporation | Strategic Growth Initiatives (3/3)

In Australia...



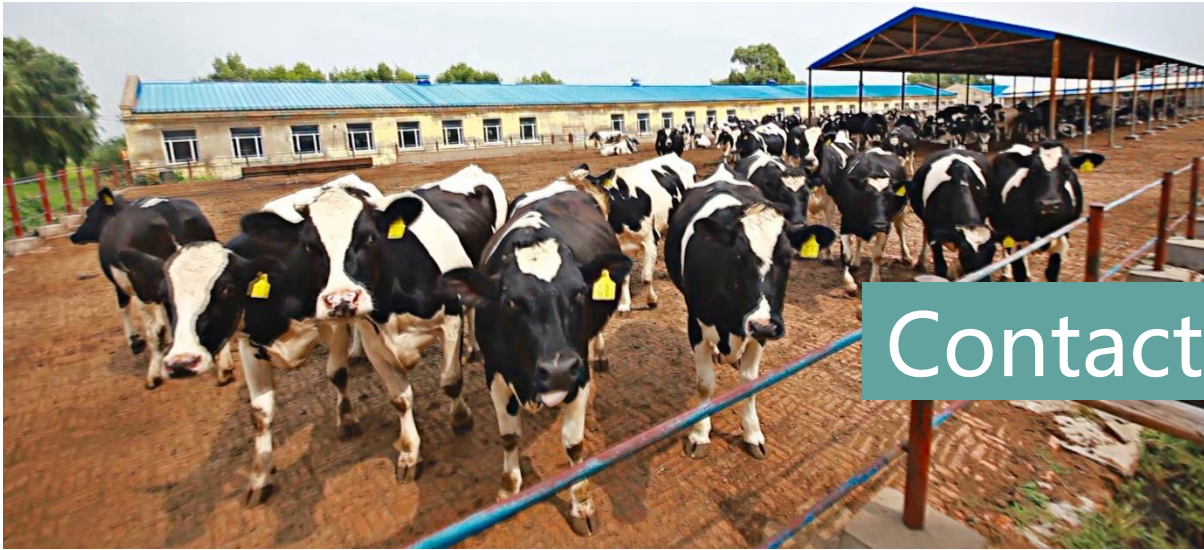
- **Investments and/or acquisitions in Australian dairy processors**
 - Australian processed dairy products are well sought after in China
 - Company is exploring acquisition or investments in Australian dairy processors whose products can be sold in China
 - Large potential market for the right products
- **Acquisition of technologies and processes**
 - Australia has an advanced dairy industry with strong technical processes in cow breeding and milk production
 - CDC is exploring the possibility of acquiring dairy farming operations where the processes and technologies can be used in its Chinese operations to improve its efficiency and quality of milk production

China Dairy Corporation | Investment Proposition



**CDC's proven & profitable
Chinese business remains on a strong
growth trajectory**

- Diversified business model that has expanded beyond breeding company raised cow to also outsourcing cattle raising to farmer-raised and farmer owned cows
- Flexible and scalable supply chain allows optimisation of return on capital
- Pursuing and making progress towards its growth initiatives
- Senior management team with relevant industry and market experience, focused on creating value for shareholders
- Relatively low P/E of 2.7x and annualised dividend yield of 4.6% (based on the closing share price as at 14 October 2016)



Contact Us

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Deputy Chairman and Independent Non-Executive Director



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