



Dear Shareholder

The Board of China Dairy Corporation Ltd (CDC) provides this update regarding the company, which should be read in addition to company announcements previously made on the Australian Stock Exchange (ASX) platform.

Since the company was suspended from trading by the ASX late last year, the Board has made every effort to implement the corporate governance reforms recommended by the ASX, which we expect would lead to a lifting of the suspension. However, the Board has been consistently hampered in its efforts as follows:

- the then Executive Director and CEO Mr Youliang Wang refused to participate in Board meetings from February to May 2018, resulting in non-achievement of a Board quorum, needed to press ahead with the above mentioned corporate governance reforms;
- the corporate consultant and chief liaison between China and Australia, Beijing Ruihua Future Investment Management Co. Ltd ceased to provide services to CDC in March 2018;
- the Australian local agent (company secretary), Stedwell Secretarial Services Pty Ltd and accountant, Smart Wealth Accountants Pty Ltd, both advised they would cease to provide services to CDC in April 2018;
- fraudulent (forged) documents notifying the resignations of the Board Chairman and Deputy Chairman were lodged with the Hong Kong Company Registry (where CDC is registered) in May 2018; and
- due to incorrect information held by the Hong Kong Company Registry, the Board has been temporarily unable to access company funds held with two Chinese banks, needed to pay for professional services to counter the above actions.

The Board has nonetheless taken decisive action to meet these challenges in order to have ASX trading status reinstated, including:

- termination of the former Executive Director and CEO Mr Youliang Wang, due to his refusal to participate in Board meetings and related performance issues;
- appointment of a new Non-Executive Director Mr Kevin Yau, a Sydney-based legal practitioner, to enable a quorum of directors needed to implement corporate governance reforms;
- appointment of a new local agent, also Mr Kevin Yau;
- discussions aimed at securing the services of a new Australian accountant, Moore Stephens;
- appointment of a new company secretary (Moore Stephens Hong Kong); and
- notification to the Hong Kong Company Registry of the lodgement of fraudulent documents (see above).

Due to competing demands of his legal practice, Mr Kevin Yau has reluctantly resigned as Director and local agent. The Board thanks Mr Yau for the considerable efforts he has made on behalf of CDC and its shareholders.

A new Non-Executive Director, experienced listed company CEO Mr Eric Lin was appointed on 12 June 2018 and the Board is in the process of recruiting a new local agent. Mr Lin is Sydney-based and brings considerable experience and talents to the Board.

A significant shareholder of CDC, Dingxi (Shanghai) Equity Investment Management Co. Ltd, represented by the former CDC CEO and Executive Director, Mr Youliang Wang, has requisitioned an

Extraordinary General Meeting of shareholders, in order to remove the current Board Directors. Shareholders may have recently received advice of this meeting requisition from Advanced Share Registry Ltd. This communication to shareholders was not authorised by the Board of CDC. Although the Board acknowledges the validity of this EGM requisition, it does not agree with either the date (9 July 2018) or location (Ningbo, China) stated in the advice. Under Australian company law, the meeting must be held and completed within 60 days of the date of requisition and the location must be suitable to the majority of (individual) shareholders). As the majority of individual shareholders are Australian, the Board considers the EGM should be conducted in Sydney, and further details will be provided regarding the time and location for this meeting.

The Board thanks shareholders for their patience and support during a very challenging time for all concerned.



Hon. Andrew Stoner AM  
Deputy Chairman

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