

Corporate Governance Statement

In accordance with ASX Listing Rule 4.7.4, Dongfang Modern Agriculture Holding Group (ASX: DFM) (**Dongfang**) lodges the attached Corporate Governance Statement.

A copy of Dongfang's Corporate Governance Statement and supporting charters and policies can also be downloaded from the company's website: www.dfm.net.au

For further information, please contact:

In Australia:

Philip Killen, Company Secretary +61 408 609 916

Media enquiries:

Ashley Rambukwella, FCR +61 407 231 282
and a.rambukwella@fcr.com.au

International:

Charles So, CEO +61 449 895 835

c.so@dfm.net.au

About Dongfang Modern

Dongfang Modern is a leading agricultural producer operating in the world's largest market, China. It offers Australian investors a unique exposure to China's agribusiness sector.

In 2017, the company sold more than 237,000 tonnes of fruit and camellia products, generating revenue of A\$213.6 million, net profit of A\$93.9 million, and operating margins in excess of 45%. The group's plantations today span more than 10,700 hectares.

Formed in 2009, the company has grown each year, benefitting from China's favourable taxation incentives for agribusiness companies.

POLICIES MANUAL

BOARD CHARTER

1. INTRODUCTION AND PURPOSE

This statement summarises the roles and responsibilities of the Board of the Company. The disclosure of the roles and responsibilities of the Board is designed to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and management of the Company.

It must be noted that the roles and responsibilities of the Board will evolve as the Company moves forward. As such, a regular review of the balance of responsibilities is seen to be appropriate to ensure that the division of the functions remains appropriate to the needs of the Company.

This policy statement is only a summary of the matters reserved to the Board and should therefore only be used as a general guide, which is not to be used in a legal capacity.

2. ROLE OF THE BOARD

21 Key Responsibilities

The management and control of the business of the Company is vested in the Board.

The principal role of the Board is to ensure the long term prosperity of the Company by setting broad corporate governance policies and ensuring that they are effectively implemented by management.

The key responsibilities of the Board include:

- (a) setting the strategic direction of the Company and providing strategic guidance to management;
- (b) providing input into and approval of management's development of corporate strategy and performance objectives;
- (c) reviewing and approving business plans for the Company;
- (d) approval of annual budget and financial plans including available resources and major capital expenditure and initiatives;
- (e) overseeing and monitoring progress against budget via the establishment and reporting of both financial and non-financial key performance indicators, organisational performance, the achievement of strategic goals and objectives and compliance with the Company's Code of Conduct;
- (f) appointing the Chairman;
- (g) appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO");
- (h) appointing, evaluating, rewarding and if necessary the removal of the Chief Financial Officer ("CFO");

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- (i) approving the appointment, and when necessary replacement, of other senior executives;
- (j) monitoring financial performance including approval of the half year and annual financial reports and liaison with the Company's auditors;
- (k) overseeing, reviewing and ratifying systems of governance, management processes, risk management, internal compliance and controls, codes of conduct and legal and regulatory compliance to ensure appropriate compliance frameworks and controls are in place;
- (l) (monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- (m) overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- (n) satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- (o) assuring that appropriate audit arrangements are in place;
- (p) ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Conduct and that the Company practice is consistent with the Code; and
- (q) reporting to and advising shareholders.

2.2 Delegated Responsibility

The Board has delegated to executive management, responsibility for a number of matters including:

- (a) managing the Company's day-to-day operations in accordance with the Board approved authorisations, policies and procedures;
- (b) developing the Company's annual budget and recommending it to the Board for approval and managing the day-to-day operations within the budget; and
- (c) implementing corporate strategy and making recommendations on significant corporate strategic initiatives.

Executive management reports directly to the Chairman.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure that this is achieved. These mechanisms include the following:

- (a) Establishment of Committees as required including without limitation, if applicable, the Remuneration Committee and Audit Committee;
- (b) As outlined above, the Board oversees the strategic direction of the Company.

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- (c) As outlined above, the Board approves all budgets of its consolidated entities.
- (d) The Board receives detailed board papers on a monthly basis showing the monthly and year to date performance of all aspects of the Company, compared to budget.
- (e) Procedures are in place to allow any director or Committee of the Board to seek external professional advice as considered necessary, at the Company's expense.
- (f) Procedures are in place to incorporate presentations from senior management at relevant Committee meetings on an as required basis to increase the Committees' understanding of the area. Further, the Board may request further information from management from time to time on any issue.
- (g) In the event that a potential conflict of interest may arise, involved directors withdraw from deliberations concerning the matter.

The Board ensures that the executive team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO, CFO and executive management.

The roles of the Chairman and the CEO are not exercised by the same individual.

The CEO is accountable to the Board for all authority delegated to that position.

The CFO has the responsibility of providing to the Board the declaration referred to in section 295A(2) of the *Corporations Act, 2001*.

2.3 Performance Review & Remuneration

In order to ensure that the Board continues to discharge its duties effectively, the performance of all directors as individuals is reviewed annually by the Chairman.

The performance of the Chairman will be reviewed during each reporting period by his fellow directors.

The Board undertakes an annual assessment of its collective performance and the performance of its Committees in accordance with the Company's performance evaluation process for directors and executives.

The Board also annually reviews the performance of the executive management team.

The Company must disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

2.4 Nomination

In fulfilling its corporate governance and oversight responsibilities, the assessment of nominations to the Board will be a function performed by current Board members. These functions include;

- (a) Review the appropriateness of the size of the Board relative to its various responsibilities and where necessary make recommendations to the Board to change the composition of the Board.

- (b) Review the appropriateness of the size of the Board Committees relative to its various responsibilities and where necessary make recommendations to the Board to change the composition of the Committees.
- (c) Review the overall composition of the Board and Board Committees, taking into account factors such as:
 - (1) Expertise of each board member
 - (2) Business experience
 - (3) integrity
 - (4) s k i l l s
 - (5) breadth of experience
 - (6) knowledge about the Company's business or industry
 - (7) willingness to devote time and effort to the Board
- (d) Review and recommend to the Board the criteria for Board membership, including assessment of the necessary and desirable competencies of the Board members.
- (e) The Committee shall review potential candidates for the Board and report on the candidates and results to the Board for consideration. As such, the Committee shall evaluate and conduct appropriate inquiries into the backgrounds and qualifications of possible nominees.
- (f) Recommend to the Board, members of the Board to be designated as Chairperson of the Board's Committees.
- (g) Make recommendations to the Board in relation to appropriate performance criteria, for both the individual directors and full board acting as a collective body. This may include such items as level of director attendance, preparedness, participation and candor.
- (h) Review, develop and recommend to the Board if necessary, the criteria for determining director independence.
- (i) The Committee shall monitor the orientation and continuing education programs for directors.
- (j) The Committee shall develop and review any relevant succession plans.
- (k) When appointing a new director the Committee shall at all times act in accordance with the "Procedure for Selection and Appointment of New Directors" set out below.

3 PROCEDURE FOR SELECTION AND APPOINTMENT OF DIRECTORS

31 Finding the right person

The Board's procedure when selecting and appointing new directors varies depending upon the circumstances of the Company at the particular time. Generally, however, the procedure for the selection and appointment of a new director will be based on the

Nomination Committee, if established, or the Board, if not established doing the following:

- (a) assessing the needs of the Board to ensure that there is a range of skills represented, including an understanding of:
 - (1) the industry in which the Company operates;
 - (2) the countries in which the Company operates; and
 - (3) accounting, finance and legal matters;
- (b) where a need is identified or arises, and as appropriate, engaging recruitment advisers to identify candidates with the skills and experience required by the Board;
- (c) developing a short list of potential appointees taking into account, among other things, the particular skills and experience of each individual appointee and their ability to fit with the existing Board; and
- (d) recommending to the Board the most appropriate person from the short list of candidates to be invited to become a director of the Company.

3.2 Short listed candidates

Prior to appointment, short listed candidates:

- (a) are required to meet with members of the Board;
- (b) must disclose the nature and extent of their other appointments and activities;
- (c) must demonstrate that they understand what is expected of them and confirm that they are willing to make the necessary commitments, and will have available the time required, to discharge their responsibilities;
- (d) must provide checks as to their character, experience, education, criminal record and bankruptcy history.

Short listed candidates must also give undertakings in relation to their appointment to the Board, to their performance on the Board and to taking other appointments.

3.3 Policy for the appointment of new Directors

The Board's policy for appointing new Directors, as part of the broader selection and appointment procedure, looks to ensure that the potential appointee best matches the needs of the Board at the time when the appointment is to be made.

Factors considered by the Nominations Committee, if there is one, or the Board, if there is none, when recommending a person for appointment as a director include:

- (a) the time commitment required by a director to effectively discharge his or her duties to the Company;
- (b) the number of existing directorships and other commitments that may demand the attention of the appointee;

- (c) the nature of existing positions, directorships or other relationships and the impact that each may have on the appointee's ability to exercise an independent judgment;
- (d) the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board;
- (e) the appointee's experience in undertaking business in Peoples Republic of China and other countries where the Company operates;
- (f) the appointee's knowledge of the agribusiness industry or related industries;
- (g) other experience or skill that a particular appointee may have including relations with government, membership of industry or professional organisations and business contacts;
- (h) general suitability of the appointee and likely relationship with other Board members.

3.4 Following appointment as a Director

On appointment to the Board, a Director must:

- (a) confirm his/her understanding of the Company's policy regarding independence of Directors and what is expected of them;
- (b) be willing to participate in the Board's annual performance evaluation process;
- (c) be contactable at all reasonable times by the Company and provide appropriate contact details;
- (d) behave consistently with the Company's Code of Conduct; and
- (e) comply with all relevant statutory obligations.

In accordance with the Company's constitution, all new appointees to the Board to fill casual vacancies must resign at the next annual meeting after the date of their appointment and offer themselves for election. The policy of the Board on notices of meeting involving the election of directors is that sufficient information should be made available to enable shareholders to make an informed choice about who should be elected a director.

Accordingly, all candidates seeking election or re-election as a Director by shareholders must submit the following details for inclusion in the relevant notice of meeting:

- (a) up to date biographical details including competencies and qualifications;
- (b) information sufficient to enable an assessment of the independence of the Director;
- (c) details of the relationship between the candidate and the Company and the candidate and other Directors of the Company;

- (d) other directorships held;
- (e) other positions held that involve significant time commitments;
- (f) the term of office currently served by any Director seeking re-election; and
- (g) any other particulars required by law.

All new appointees shall undertake an induction programme enabling the new appointee to understand specified elements of the Company's business.

All directors shall be entitled to receive appropriate professional development opportunities approved by the Board.

35 Agreement/Letter of Appointment

New Directors are required to sign an agreement in writing or letter of appointment that sets out the key terms of their appointment.

36 Deed of Access and Indemnity

Finally, each Director is required to execute a deed of access and indemnity that:

- (a) grants the Director certain rights of access to Company information and rights to be insured;
- (b) provides the Director with certain indemnities; and
- (c) imposes obligations on the Director to provide information required by the Company to meet its disclosure obligations.

3.7 Independent Advice

The Company permits any Director to obtain advice about transactions or matters of concern at the Company's cost. Approval for directors seeking independent advice is subject to the approval of the Chairman acting reasonably. Where appropriate, directors share such independent advice with other directors.

4 BOARD MEETINGS

The Board plans to meet at least six times a year, both as a Board and in conjunction with executive management, to discuss the short and long term strategy of the Company.

The Board receives a monthly report, which provides current information concerning the Company. The monthly Board report includes salient financial details, together with information on the performance of operations, major initiatives, as well as legal, governance, risk management and compliance issues that may arise.

The Board convenes by email and by telephone conference call to discuss matters of urgency and importance with management, make recommendations to management and discuss strategy.

5. CHAIRMAN

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their roles and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's executive management.

6. COMPANY SECRETARY

The role of the company secretary includes:

- advising the board and its committees on governance matters;
- monitoring that board and committee policy and procedures are followed;
- coordinating the timely completion and despatch of board and committee papers;
- ensuring that the business at board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

Each director is permitted to communicate directly with the company secretary and vice versa. The decision to appoint or remove a company secretary must be made or approved by the board.

The company secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board.

CODE OF CONDUCT

1. INTRODUCTION

The purpose of the Code of Conduct is to guide and enhance the conduct and behaviour of the Company's directors, officers, employees and contractors in performing their everyday roles. The code encourages and fosters a culture of integrity and responsibility with the focus of augmenting our reputation as a valued employer, business partner and corporate citizen, in all our relationships.

The Company's Code of Conduct underpins the way the Company wishes to operate and should be understood and abided by all concerned.

2. THE CODE

21 Respect for Persons

Directors, officers, employees and contractors should approach dealings with other persons equitably and with respect. This involves:

- (a) Courtesy and responsiveness in dealing with others.
- (b) Fairness in supervision and dealing with other staff by valuing colleagues and their personal commitment to meet shared objectives.
- (c) Encouraging cooperation and engaging rational debate to accomplish alternative points of view.
- (d) Avoiding behaviour that might reasonably be perceived as harassment, bullying or intimidation.
- (e) Understanding and responding to the needs of our business partners and their stakeholders.

22 Respect for the Law

Directors, officers, employees and contractors should respect the law and act accordingly by observing and respecting the laws, customs and business methods of all countries in which we operate to the extent that we adhere to the underlying principles of our Code of Conduct.

2.3 Integrity

Directors, officers, employees and contractors should consistently maintain their integrity whilst carrying out their duties by avoiding conflicts between their private interest and their responsibilities with respect to:

- (a) Personal, financial and sexual relationships.
- (b) Receipt of gifts and other benefits that may create an obligation.
- (c) Use of confidential information obtained in the course of your duties.
- (d) External activities and public comment.

24 Diligence

Directors, officers, employees and contractors should carry out their roles in a professional and conscientious manner. This involves:

- (a) Endeavouring to achieve highest standards of performance and adhering to professional codes of conduct where possible.
- (b) Exercising care for others in employment-related activities.
- (c) Taking responsibility for all issues for which we have control.
- (d) Reporting fraudulent or corrupt activities.

2.5 Economy and Efficiency

Directors, officers, employees and contractors should carry out their roles in a cost effective and responsible manner. This includes:

- (a) Using the Company's equipment only for authorised Company business.
- (b) Avoiding waste of Company resources.
- (c) Maintaining adequate security over the Company's property and resources;

26 Conflicts of Interest

Directors, officers, employees and contractors should seek to avoid financial, business or other relationships which might be opposed to the interests of the Company or which may conflict with the performance of their duties.

In the event that a conflict arises between the relevant person's financial, business or other relationships and the interests of the Company, the relevant person must notify the Company Secretary in writing, who in turn shall inform the Board of the conflict as soon as practicable. The notice should detail the nature and extent of the potential conflict.

Where a relevant person has any doubt about conflicts of interest, the relevant person shall contact the Company Secretary.

A Director must give the other Directors notice if they have an interest in matters that relate to the Company's affairs that may give rise to a conflict. The disclosure must detail the nature and extent of the interest, be recorded in the minutes of the directors' meetings and referred to the Chairman for determination.

CONTINUOUS DISCLOSURE POLICY

1. INTRODUCTION

This Continuous Disclosure Policy sets out the procedure for:

- identifying material price sensitive information;
- reporting such information the CEO and/or the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and Australian Securities Exchange ("ASX") Listing Rules; and
- ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

This Continuous Disclosure Policy applies to directors and those members of senior management who are most likely to be in possession of, or become aware of, the relevant information. All the Company's staff need to be aware of the existence of the Policy and to be familiar with its terms so that they can assist with reporting of potentially sensitive information to the appropriate person within the Company.

2. PURPOSE

The purpose of this Policy is to ensure that Company announcements are:

- made in a timely manner;
- are factual;
- do not omit material information; and
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

3. CONTINUOUS DISCLOSURE PROTOCOL - COMMITMENT

The Company is committed to:

- ensuring that shareholders have the opportunity to access externally available information issued by the Company;
- providing full and timely information to the market about the Company's activities; and
- complying with the obligations contained in the ASX Listing Rules and the Corporations Act relating to continuous disclosure.

4 CONTINUOUS DISCLOSURE POLICY

4.1 Underlying Principle

The Company has obligations under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities, or influence an investment decision on the Company's shares or securities, and to correct any material mistake or misinformation

in the market. The Company discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents.

4.2 Exceptions to ASX Listing Rule 3.1 on Continuous Disclosure

ASX Listing Rule 3.1 provides for disclosure not to be required where:

- (a) a reasonable person would not expect the information to be disclosed;
- (b) the information is confidential; and
- (c) one or more of the following applies:
 - (1) it is a breach of law to disclose the information; or
 - (2) the information concerns an incomplete proposal or negotiation; or
 - (3) the information is insufficiently definite to warrant disclosure; or
 - (4) the information is generated for internal management purposes; or
 - (5) the information is a trade secret.

All three (a, b and c) must be met for disclosure not to be required.

4.3 ASX Listing Rule 3.1

ASX Listing Rule 3.1 requires that the Company immediately notify the ASX of any information on which the Company becomes aware, concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

A reasonable person would be taken to expect information to have a material effect on the price or value of securities if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities. Hence, information is considered to be "material" if there is a substantial likelihood that it would influence an investor in deciding whether to trade in or hold the Company's shares/securities.

If the Company becomes aware of information if any of its directors or executive officers has or ought reasonably to have, come into possession of the information in the course of the performance of his or her duties as a director or executive officer of the Company.

The disclosure obligation does not generally apply where the information is exogenous or generally available.

5 POLICY

5.1 The Policy

The following procedures will apply to safeguard against breaches of the Company's continuous disclosure obligations:

- (a) directors and senior management must immediately notify the CEO (or Chairman) and/or the Company Secretary as soon as they become aware of information that should be considered for release to the market (material information which is disclosable);

- (b) the CEO (or Chairman) and/or Company Secretary will:
 - (1) review the material information reported;
 - (2) determine, in consultation with all necessary parties as appropriate, whether any of
 - (3) the material information is required to be disclosed to the ASX; and
 - (4) co-ordinate the actual format of disclosure with the relevant members of management.
- (g) Where a decision is made, that the item or information does not warrant an ASX release, the CEO (or Chairman)/Company Secretary is to advise directors of the rationale for the decision.

52 Persons to Whom this Policy Applies

This policy applies to:

- (a) all directors of the Company and its consolidated entities;
- (b) all members of senior management; and
- (c) all employees.

53 Obligations

- (a) As soon as you become aware of information that:
 - (1) is not generally available (ie. the information in question has not been included in any Annual Report, ASX Release or other publication of the Company); and
 - (2) which may be price sensitive (ie. it is likely to have a financial or reputation impact upon the Company that may be considered material).

you must provide the CEO (or Chairman) and/or Company Secretary with all necessary information to ensure that the matter is disclosed appropriately to all required parties.

- (b) in order that you can comply with your obligations under paragraph 5.3(a), you must ensure that you implement such procedures as you consider appropriate to ensure if any person who reports to you becomes aware of or is in possession of information that is not generally available and/or which may be price sensitive, that person will promptly notify you of such information.

54 Market Speculation and Rumours

The ASX interprets Listing Rule 3.1 as requiring the Company to make a clarifying statement or announcement to the ASX in circumstances where the Company becomes aware that speculation or comment is affecting the price or volume of trading in the Company's securities.

For example, when the market moves in a way that appears to be referable to the comment or speculation, the Company has an obligation to make such disclosure as

is necessary in order to correct a false market in the Company's securities and ensure investors are not trading on false or misleading information. Normally the ASX will indicate to the Company when it believes this is required.

55 Release of Information to Others

The Company must not release material price sensitive information to any person if that information is required to be disclosed to the ASX, until cleared by the ASX. The CEO (or Chairman) and/or the Company Secretary or a nominee of the CEO (or Chairman)/Company Secretary will advise all relevant parties when the ASX release has been announced by the ASX.

All the information disclosed through ASX is to be promptly placed on the Company's investor website after clearance by ASX.

56 Presentations/Enquiries

For all information/presentations/briefings etc. which are to be provided to third parties, each individual is responsible for ensuring that a copy of the material is provided to the CEO (or Chairman) and/or the Company Secretary prior to presenting that information externally.

All inquiries from third parties must be referred to the CEO (or Chairman) and/or the Company Secretary. All material presented at an analyst briefing, bank or other third party must be approved by or referred through the CEO (or Chairman) and/or the Company Secretary prior to the briefing.

All inquiries from the media must be referred to the CEO (or Chairman) and/or the Company Secretary.

5.7 Interview by Employees

No employee may give an interview or make a presentation unless express authority or specific permission is received from the CEO (or Chairman).

An employee who is given permission by the CEO (or Chairman) to give an interview or make a presentation must notify the CEO (or Chairman) and/or the Company Secretary of the date and time for the interview and must give a copy of any presentation to the CEO (or Chairman) and/or the Company Secretary.

6 MANAGEMENT OF THE POLICY

61 Specific Responsibilities

The CEO (or Chairman) and/or the Company Secretary is responsible for:

- (a) liaising with the ASX in relation to continuous disclosure issues;
- (b) ensuring that the system for the disclosure of all material information to the ASX in a timely fashion is operating;
- (c) reviewing proposed announcement by the Company to the ASX and liaising with the CEO (or Chairman) or other members of the executive or Chairman in relation to the form of any ASX release;
- (d) liaising with the Board, as appropriate, in relation to the disclosure of information;

- (e) keeping a record of all ASX and other releases that have been made; and
- (f) periodically reviewing the Company's disclosure procedures in light of changes to ASX Listing Rules or Corporations Act and recommending any necessary changes to the procedures.

7. BREACH OF POLICY AND PENALTIES

7.1 Breach of Policy

If the Company contravenes its Australian continuous disclosure obligations if it fails to notify the ASX of the information required by Listing rule 3.1 to be disclosed. If the Company fails to meet this obligation its officers may be guilty of an offence under the Corporations Act.

7.2 Liability and Penalties

(a) Company

If the Company contravenes its continuous disclosure obligations, it may face:

- (1) if the contravention is intention or reckless — criminal liability with a fine;
- (2) civil liability for any loss or damage suffered by any person as a result of failure to disclose relevant information to the ASX; and
- (3) de-listing from the ASX.

The ASIC can also institute proceedings under the ASIC Act 1989.

(b) Others

The Company's officers (including its directors), employees or advisers who are involved in the contravention, may also face criminal (monetary fine and/or 5 years imprisonment) and civil liability as outlined above.

RISK MANAGEMENT AND INTERNAL CONTROL POLICY

1 OVERVIEW

The Board of the Company recognises the importance of identifying and controlling risks to ensure that they do not have a negative impact on the Company. Procedures have been established at the Board and senior executive levels which are designed to safeguard the assets and interest of the Company and to ensure the integrity of reporting.

There are a variety of risks that exist in the agricultural industry in which the Company operates and there are a range of factors, some of which are beyond the control of the Company and which may impact on the Company's performance. These are taken into account in the risk management strategy implemented by the Board.

In summary in relation to risk management:

1.1 The Board:

- (a) reviews and approves the parameters under which such risks are managed including the responsibility for internal control systems;
- (b) compliance and the procedure for identifying business risks and the methods to control their financial impact on the Company.

1.2 The Chairman and the executive management team are instructed and empowered by the Board to:

- (a) implement risk management strategies in co-operation with it and the Audit Committee;
- (b) report to the Board and the Audit Committee on developments related to risk; and
- (c) suggest to the Board new and revised strategies for mitigating and resolving risk.

2 BENEFITS OF RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

Some of the benefits identified in establishing and maintaining risk management procedures are as follows:

- More effective strategic planning.
- Better cost control.
- Enhancing shareholder value by minimising losses and maximizing opportunities.
- Increased knowledge and understanding of exposure to risk.
- A systematic, well-informed and thorough method of decision making.
- Increased preparedness for outside review.
- Minimised disruptions.
- Better utilization of resources.

- Strengthening culture for continued improvement.
- Creating a best practice and quality organisation.

3. INTERNAL CONTROL POLICY

The Board is ultimately responsible for the internal control framework and risk management of the Company and for regularly reviewing its effectiveness.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets.

Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

The Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board will review the operation of the systems of risk management at least annually to ensure that the significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with, and liaise with the CEO to identify and manage risk. The Company will disclose in relation to each reporting period whether such a review has taken place.

The Board will review and discuss strategic risks and opportunities arising from changes in the Company's business environment regularly and on an as needs basis.

The Board may delegate some of the abovementioned responsibilities to committees of the Board but maintain the overall responsibility for the process.

The following committees have or may be established to assist the Board in internal control and business risk management:

- Remuneration Committee
- Audit Committee (not established at this time)
- Nomination Committee (not established at this time)
- Finance Committee (not established at this time)
- Business Risk Committee (not established at this time)

31 Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Chief Executive Officer, the executive committee and employees. Further, they are responsible for assisting the Board in appointing and terminating (if necessary) members of the Board.

32 Audit Committee

If and when the Board establishes an Audit Committee:

- (a) it shall consist of has at least three members appointed by the Board, a majority of whom are independent directors; and will be chaired by an independent director; and
- (b) it will operate under a charter approved by the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This also includes the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial consideration.

The Board will delegate this responsibility for the establishment of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee if formed. The Audit Committee will also provide the Board with additional assurance regarding the reliability of the financial information for the inclusion in the financial reports.

When it is established, the Board shall report at the end of each reporting period the number of times that the committee has met during that period and the individual attendances of the members of the committee shall be specified.

33 Nomination Committee

If and when it is established, the Nomination Committee:

- (a) it shall consist of has at least three members appointed by the Board, a majority of whom are independent directors; and will be chaired by an independent director; and,
- (b) it will operate under a charter approved by the Board.

The role of the Nomination Committee when established will be to assist the Board in relation to the selection and appointment of members of the Board. The Nomination Committee will be accountable to the Board for its performance.

When it is established the Board at the end of each reporting period the number of times that the committee has met during that period and the individual attendances of the members of the committee shall be specified.

3.4 Finance Committee

If and when it is established, the Finance Committee may comprise a majority of executive directors and on occasions may be comprised exclusively of executive directors. It may be chaired by the CEO and may be delegated with the day-to-day authority to review, approve and dispose of assets and business and to deal with the approval of finance arrangements. Detailed limits will be set by the Board in respect of these arrangements.

The management of financial risk and of financial instruments used to mitigate financial risks, including foreign exchange and interest rates are to be closely monitored by the Finance Committee and strict guidelines and parameters will be set, especially in relation to derivatives.

3.5 Business Risk Committee

If and when it is established, the Business Risk Committee may comprise the heads of each business segment under the chairmanship of a non-executive director, or provide for the attendance of non-executive directors.

Major business risks may arise from:

- action by competitors
- changes in government policies
- changes to the law
- price of raw materials and other supplies
- availability of raw materials
- changes to exchange or interest rates

The above committees are responsible for reporting to the Board.

4. SPECIFIC MEASURES

The Company's business operations are in the PRC. There is therefore a risk to investors in relation to the remittance of funds raised in Australia to meet any expenditure in the PRC on those business operations. In order to manage this risk, the Company has adopted as a principle of corporate governance an internal management rule that before any monies raised in Australia are expended outside Australia, that must first be approved by the non-executive independent directors. Unless such approval is given the Company is not to remit any funds raised through from the public in Australia outside Australia.

Every employee has a responsibility for ensuring that any known breach of internal control is reported to the appropriate level such that it can be dealt with accordingly. Further, every employee is encouraged to identify and report to their senior executive any potential business risk. The senior executive is then responsible for ensuring that the business risk is mitigated by establishing appropriate controls and monitoring the effectiveness of controls.

Any significant control defects should be reported to the Board level. This may be achieved through the reporting of defects first to the Audit Committee.

Each financial year, the CFO and Chief CEO are required to provide formal representations to the Board confirming that the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that the Company's risk management and internal compliance and control system is operating efficiently in all material respects.

Each financial year, the CFO is to provide the Board a declaration in connection with the audit of the financial report of the Company in accordance with Principles 7.2 and 7.3 of the ASX Corporate Governance Principles and Recommendations - Section 295A of the Corporations Act.

During the year the Board is responsible for reviewing the effectiveness of the Company's system of internal control for the financial year. This review is to include financial, operational and compliance and risk controls.

For any control which is not operating effectively, the Board is responsible for ensuring that the control issue is corrected and that the risk has a mitigating control which will reduce any risk to an acceptable level.

REMUNERATION COMMITTEE CHARTER

1 . C H A R T E R

This Charter governs the operations of the Remuneration Committee. The Committee shall review and reassess the Charter at least annually and obtain the approval of the Board.

The ultimate responsibility for the Company's Remuneration policy rests with the Board.

2 . M E M B E R S H I P

The Committee shall be members of and appointed by, the Board and shall comprise at least three members; chaired by an independent director with a majority of independent directors. Directors serving on this Committee should have diverse, complementary backgrounds, the majority of which are independent of management and the Company. The Committee is to be chaired by an independent director who shall have leadership experience.

Members of the Committee shall be considered independent so long as they do not have any relationship with the Company that may interfere with the exercise of independent judgement.

The only compensation shall be director's fees for services provided to the Remuneration Committee.

The Company Secretary will be the Secretary of the Committee.

3 . M E E T I N G S

The Committee shall meet at least once each year, with additional meetings when circumstances require, as determined by the Committee Chairperson.

31 Convening and Notice of Meeting

Any member may (and the Secretary must act upon a request from any member) convene a meeting of the Committee. Notice is to be given to every member of the Committee with no minimum notice period required and no necessity for acknowledgement of notice before the meeting may be validly held.

32 Attendance

Members of the Committee are expected to be present at all meetings. As necessary, the Chairperson of the Committee may request that members of management, consultants or others, which it may deem appropriate, be present at Committee meetings.

33 Quorum

Two members of the Committee shall constitute a quorum. In the event where only two members are present, the unanimous vote of the two members shall constitute an act of the Committee.

Where the Committee comprises more than two committee members, the act of a majority of the members present will constitute an act of the Committee.

34 Minutes

Minutes of each meeting are to be prepared by or under the direction of the Company Secretary.

The Secretary shall maintain a permanent record of the minutes and shall distribute minutes to members of the Committee and directors who are not members of the Committee.

4 PURPOSE, FUNCTION AND RESPONSIBILITY

The Remuneration Committee shall provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities. The main functions and responsibilities of the Remuneration Committee include the following:

- Responsible for determining the compensation arrangements for the directors themselves, the Chief Executive Officer, the Executive Committee and employees. From this, recommendations are made to the Board.
- Responsible for determining the Executive Remuneration Policy.
- Responsible for reviewing and approving all equity based plans.
- Evaluating the requirements under ASX Corporate Governance Principle 1 of encouraging enhanced performance and is therefore responsible for the performance evaluations required of the senior executives;

5. DELEGATED RESPONSIBILITY

The Committee may form and delegate authority to subcommittees when appropriate.

6. OTHER DUTIES

The Committee is responsible for organizing, reviewing and reporting on any special reviews or investigations deemed necessary for the Board.

7. REMUNERATION POLICY

This Policy governs the operations of the Remuneration Committee. The Committee shall review and reassess the Policy at least annually and obtain the approval of the Board.

7.1 Overall Director Remuneration

Shareholder approval must be obtained in relation to the overall limit set for directors' fees. The directors must set individual board fees within the limit approved by shareholders.

Further, shareholders must approve the framework for any equity schemes and if a director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

7.2 Executive Remuneration

(a) Main Principles

The Remuneration Committee's reward policy reflects its obligations to align executive directors' remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the Group. The main principles of the Policy are:

- (1) Reward reflects the competitive global market in which the Company operates.

- (2) Individual reward should be linked to performance criteria.
- (3) Executives should be rewarded for both financial and non-financial performance.

(b) Elements of Remuneration - Executive

The Executive Directors' total remuneration consists of the following:

- (1) Salary — each Executive Director receives a fixed sum payable monthly in cash.
- (2) Bonus — each Executive Director is eligible to participate in a bonus scheme if deemed appropriate.
- (3) Long Term Incentives — each Executive Director may participate in share option schemes with the approval of shareholders. The Committee's policy is that at each exercise date of the options, a review of the performance of a director holding options must be undertaken to ensure that it is appropriate that the options can be exercised. A recommendation must be forwarded to the Board and the Board must ratify the exercising of any options.
- (4) Other benefits — Executive Directors are eligible to participate in superannuation schemes.

(c) Elements of Remuneration - Non-Executive

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendation if appropriate. The maximum aggregate remuneration approved for directors is currently \$320,000.

Directors are entitled to have their indemnity insurance paid by the Company.

(d) Retirement Benefit — Directors and Employees

The total payment to a director or an employee on retirement or termination (retirement benefits, plus annual and long service leave entitlements) may not exceed the Corporations Act limits.

AUDIT COMMITTEE CHARTER

1. MEMBERSHIP

This charter governs the operations of the Audit Committee if one is appointed. If none is appointed the Board shall perform the function of the Audit Committee as set out herein.

The Audit Committee shall review and reassess the charter at least annually and obtain the approval of the Board.

Members of the Audit Committee will comprise at least three directors all of whom are non-executive directors and a majority of whom are independent directors. The members should have diverse, complementary backgrounds and all committee members shall be financially literate. Furthermore, at least one member shall have a reasonable level of accounting and/or related financial management expertise as determined by the Board.

The chairman of the Committee must not be the Chairman of the Company and must be an independent director.

A quorum for meetings of the Committee is two members.

2. OBJECTIVES

The Committee's objectives are to:

- 21 Assist the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the Company's:
 - (a) reporting of financial information;
 - (b) application of accounting policies;
 - (c) financial management;
 - (d) internal control systems;
 - (e) risk management systems;
 - (f) business policies and practices;
 - (g) protection of the Company's assets; and
 - (h) compliance with applicable laws, regulations, standards and best practice guidelines.
- 2.2 Improve the credibility and objectivity of the accountability process, including financial reporting.
- 2.3 Provide a formal forum for communication between the Board and senior financial management.
- 2.4 Improve the effectiveness of the internal and external audit functions.
- 2.5 Facilitate the maintenance of the independence of the external auditor.
- 2.6 Foster an ethical culture throughout the Company.

3 RESPONSIBILITIES

The Audit Committee is responsible for oversight of:

- the integrity of the financial statements and financial reporting systems;
- the external audit engagement, including the external auditor's qualifications, performance, independence and fees;
- performance of the internal audit function;
- financial reporting including an oversight of regulatory and statutory reporting requirements; and
- procedures for the receipt, retention and treatment of financial complaints, including accounting, internal controls or auditing matters, and the confidential reporting by employees of concerns regarding accounting or auditing matters.

The Audit Committee will also monitor, investigate and make recommendations to the Board with respect to the following:

3.1 External Reporting

- (a) Consider the appropriateness of the Company's accounting policies and principles and any changes, as well as the methods of applying them, ensuring that they are in accordance with the stated financial reporting framework.
- (b) Assess significant estimates and judgments in financial reports.
- (c) Review for completeness and accuracy the reporting of the Company's main corporate governance practices as required under ASX listing rules.
- (d) Ensure that a process is established by the Company's management to capture issues for the purpose of continuous disclosure to ASX.
- (e) Assess information from internal and external auditors that affects the quality of financial reports.
- (f) Recommend to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

3.2 Internal Control and Risk Management

- (a) Assess internal processes for determining, managing and reporting on key risk areas.
- (b) Ensure that the Company has an effective risk management system and that macro risks to the Company are reported at least annually to the Board.
- (c) Address the effectiveness of the Company's internal control and risk management systems with management and internal and external auditors.

- (d) Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
- (e) Meet periodically with key management, internal and external auditors and compliance staff to understand and discuss the Company's control environment.

3.3 External Audit

- (a) Review on an annual basis the performance of the external auditor focussing particularly on:
 - (1) quality of the audit
 - (2) quality of the service provided
 - (3) independence;
- (b) Should a change in auditor be considered necessary, the Board will recommend a change in auditor to be approved by shareholders in a General Meeting.
- (c) Make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the external auditor and the rotation of the external audit engagement partner.
- (d) Invite the external auditor to attend Committee meetings to, at least, review the audit plan, discuss audit results and consider the implications of the external audit findings for the control environment.
- (e) Together with the external auditors, review the scope of the external audit (particularly the identified risk areas) and any additional agreed-upon procedures on a regular and timely basis.
- (f) Provide the opportunity for the Committee members to meet with the external auditors without management personnel being present.
- (g) Review the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations that may impair or appear to impair the external auditor's independence.

4 ACCESS

- 4.1 The Committee may review, discusses with management and the external auditor, and assess:
 - (a) any significant financial reporting issues and judgments made in connection with the preparation of the financial reports;
 - (b) the processes used to monitor and comply with laws, regulations and other requirements relating to external reporting of financial and non-financial information;

- (c) the major financial risk exposures; and
- (d) the process surrounding the disclosures made by the CEO and CFO in connection with their personal certifications of the annual financial statements.

4.2 The Committee may invite any Executive Director, Officer, other staff member or external or internal auditor to attend all or part of a meeting of the Committee.

4.3 The Committee may consult independent experts and institute special investigations, if it considers it necessary in order to fulfil its responsibilities.

5 MEETINGS

5.1 The Committee meets no less than twice each year (prior to finalising the Company's half year and annual financial statements) and more frequently as required.

5.2 Any Committee member may call a meeting of the committee.

ASSESSMENT OF EXECUTIVE PERFORMANCE

1 . S C O P E

The Remuneration evaluates the requirements under ASX Corporate Governance Principle 1 of encouraging enhanced performance. It is therefore, responsible for the performance evaluations required of the senior executives.

2 . P E R F O R M A N C E P R O C E S S

The Chairman, under the delegated authority of the Board, determines the KPI's of the senior executive members. The Chairman, with the Remuneration Committee, formally reviews the performance of senior executives annually.

The performance evaluation of the senior executives is undertaken annually in the first quarter of each financial year.

The evaluations aim to assess:

- The completeness and effectiveness of each senior executive in meeting their KPIs on a quarterly, biannual and annual basis;
- Whether the senior executives provide an appropriate mix of skills and experience to allow the company to meet its corporate goals;
- Whether the senior executives provide a safe, secure, productive, harmonious and non-discriminatory environment for their employees to perform at their best.

3 R E P O R T I N G

The outcome of the above review will be communicated to the board for endorsement.

The Company Secretary is also provided with confirmation that this process has been completed and to document any specific issues that may have arisen, to ensure that the inclusion in the Annual Report is appropriately documented.

SECURITIES TRADING POLICY

1. INTRODUCTION

These guidelines set out the policy on the sale and purchase of securities in the Company by its Directors and employees.

Directors of the Company (Directors) and employees are encouraged to be long-term holders of the Company's securities. However, it is important that care is taken in the timing of any purchase or sale of such securities.

The purpose of these guidelines is to assist Directors and employees to avoid conduct known as insider trading. In some respects, the Company's policy extends beyond the strict requirements of the Corporations Act.

2. WHAT TYPES OF TRANSACTIONS ARE COVERED BY THIS POLICY?

This policy applies to both the sale and purchase of any securities of the Company and its subsidiaries on issue from time to time.

3. WHAT IS INSIDER TRADING?

3.1 Prohibition

Insider trading is a criminal offence. It may also result in civil liability. In broad terms, a person will be guilty of insider trading if:

- (a) that person possesses information which is not generally available to the market and, if it were generally available to the market, would be likely to have a material effect on the price or value of the Company's securities (i.e., information that is „price sensitive“);
- (b) and that person:
 - (1) buys or sells securities in the Company; or
 - (2) procures someone else to buy or sell securities in the Company; or
 - (3) passes on that information to a third party where that person knows, or ought reasonably to know, that the third party would be likely to buy or sell the securities or procure someone else to buy or sell the securities of the Company.

3.2 Examples

To illustrate the prohibition described above, the following are possible examples of price sensitive information which, if made available to the market, may be likely to affect materially the price of the Company's securities:

- (a) the Company considering a major acquisition or disposal of assets;
- (b) the threat of major
- (c) litigation against the Company;
- (d) the Company's sales and profit results materially exceeding (or falling short of) the market's expectations;
- (e) a material change in debt, liquidity or cash flow;

- (e) a significant new development proposal i.e. new product or technology;
- (f) the granting (or loss) or a major contract;
- (g) management or business restructuring proposal;
- (h) a share issue proposal;

33 Dealing through third parties

A person does not need to be a Director or employee of the Company to be guilty of insider trading in relation to securities in the Company. The prohibition extends to dealings by Directors and employees through nominees, agents or other associates, such as family members, family trusts and family companies (referred to as "Associates" in these guidelines).

3.4 Information however obtained

It does not matter how or where the person obtains the information — it does not have to be obtained from the Company to constitute inside information.

3.5 Employee share schemes

The prohibition does not apply to acquisitions of shares or options by employees made under employee share or option schemes, nor does it apply to the acquisition of shares as

a result of the exercise of options under an employee option scheme. However, the prohibition does apply to the sale of shares acquired under an employee share scheme and also to the sale of shares acquired following the exercise of an option granted under an employee option scheme.

4 GUIDELINES FOR TRADING IN THE COMPANY'S SECURITIES

41 General rule

This policy requires that Directors and Senior Executives disclose their share trade intentions to the Chairman prior to dealing in the Company's securities.

The Company maintains compliance standards and procedures to ensure that the policy is properly implemented. In addition there is also an internal review mechanism to assess compliance and effectiveness.

4.2 'Closed periods' and 'prohibited periods'

Directors and key management personnel must not deal in the Company's securities during the following periods:

- Within 1 month immediately preceding and 48 hours immediately following the release by the Company of its annual results to the ASX;
- Within 1 month immediately preceding and 48 hours immediately following the release by the Company of its half-yearly results to the ASX;
- Within 2 weeks immediately preceding and 48 hours immediately following the Company's Annual General Meeting; and
- Other periods as advised by the Board or Chief Executive Officer.

Requests to trade during the closed periods may be considered in exceptional circumstances. The current procedure is that a written request is made to the Chairman and/or an independent director if the Chairman makes the request, describing the claim. Any approval to trade should be in writing and will be determined on a case by case basis.

43 Key Management Personnel Securities Trading Policy

At all other times outside the Closed Periods, Key Management Personnel should not deal in securities of the Company unless:

- they have satisfied themselves that they are not in possession of any inside information that is not generally available to the public;
- they have contacted the Chairman or Company Secretary, and notified them of their intention to do so; and
- where the Chairman wishes to deal in securities, he or she has contacted the Company Secretary or, in his or her absence, a Non-Executive Director, and notified them of his or her intention to do so.

Notification to the Chairman or Company Secretary is intended as a compliance monitoring function only and is not an endorsement of the proposed dealing.

The Company's Securities Trading Policy will be posted on the Company's website.

4.4 Exceptions

- (a) Directors and all employees may at any time:
- (1) acquire ordinary shares in the Company by conversion of securities giving a right of conversion to ordinary shares;
 - (2) acquire Company securities under a bonus issue made to all holders of securities of the same class;
 - (3) acquire Company securities under a dividend reinvestment, or top-up plan that is available to all holders or securities of the same class;
 - (4) acquire, or agree to acquire or exercise options under a Company Share Option Plan;
 - (5) withdraw ordinary shares in the Company held on behalf of the employee in an employee share plan where the withdrawal is permitted by the rules of that plan;
 - (6) acquire ordinary shares in the Company as a result of the exercise of options held under an employee option scheme;
 - (7) transfer securities of the Company already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;
 - (8) make an investment in, or trade in units of, a fund or other scheme (other than a scheme only investing in the securities of the Company)

where the assets of the fund or other scheme are invested at the discretion of a third party;

- (9) where a restricted person is a trustee, trade in the securities of the Company by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a prohibited period is taken by the other trustees or by the investment managers independently of the restricted person;
- (10) undertake to accept, or accept, a takeover offer;
- (11) trade under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- (12) dispose of securities of the Company resulting from a secured lender exercising their rights, for example, under a margin lending arrangement;
- (13) exercise (but not sell securities following exercise) an option or a right under an employee incentive scheme, or convert a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a prohibited period and the Company has been in an exceptionally long prohibited period or the Company has had a number of consecutive prohibited periods and the restricted person could not reasonably have been expected to exercise it at a time when free to do so; or
- (14) trade under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this Policy.

(b) In respect of share or option plans, it should be noted that:

- (1) it is not permissible to reimburse the exercise price of options by selling the shares acquired on the exercise of these options unless the sale of those shares occurs outside a Closed Period; and
- (2) where the exercise price of options is being provided by a margin loan or other form of lending arrangement then there may be a risk that the employee or Director may need to sell shares to avoid providing additional capital or security to the lender in the event of a decrease in the value of the shares.
- (3) Were this to occur at a time when the person possessed inside information then the sale of Company securities would be a breach of insider trading laws, even though the person's decision to sell was not influenced by the inside information that the person possessed and the person may not have made a profit on the sale.

- (4) Where Company securities are provided to a lender as security by way of mortgage or charge a sale that occurs under that mortgage or charge as a consequence of default would not breach insider trading laws.

5 APPROVAL AND NOTIFICATION REQUIREMENTS

51 Approval Requirements — Directors

- (a) Any Director wishing to buy, sell or exercise rights in relation to the Company's securities must obtain the prior approval of the Chairman of the Board before doing so; or
- (b) If the Chairman wishes to buy, sell or exercise rights in relation to the Company's securities the Chairman must obtain the prior approval of the CEO (or Chairman) or Company Secretary before doing so.

52 Approval Requirements — Key Management Personnel

- (a) Any Key Management Personnel wishing to buy, sell or exercise rights in relation to the Company's securities must obtain the prior written approval of the CEO (or Chairman) before doing so.
- (b) For the purpose of this policy, "Key Management Personnel" are defined as:
 - (1) any first line reports of the CEO (or Chairman) and their direct reports; and
 - (2) any other person designated by the CEO (or Chairman) as key management personnel on the basis that they have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

53 Notification

Any Director or employee who (or through his or her Associates) buys, sells, or exercises rights in relation to Company securities must notify the Company Secretary in writing of the details of the transaction within five (5) business days of the transaction occurring.

54 Approvals to buy or sell securities

- (a) All requests to buy or sell securities must include the intended volume of securities to be purchased or sold and an estimated time frame for the sale or purchase.
- (b) Copies of written approvals must be forwarded to the Company Secretary prior to the approved purchase or sale transaction.

5.5 Exemption from Trading Window restriction due to exceptional circumstance

A Director, employee or contractor who is not in possession of inside information in relation to the Company, may be given prior written clearance by the Chairman (or in the case of the Chairman all of the other members of the board) to sell or otherwise dispose of Company securities outside of a trading window where the person is in

severe financial hardship or where there are exceptional circumstances as set out in this policy.

5.6 Severe Financial Hardship or Exceptional Circumstances

The determination of whether a Director, employee or contractor is in severe financial hardship will be made by the Chairman (or in the case of the Chairman all of the other members of the board).

A financial hardship or exceptional circumstances determination can only be made by examining all of the facts and if necessary obtaining independent verification of the facts from banks, accountants or other like institutions.

5.7 Financial Hardship

A Director, employee or contractor may be in severe financial hardship if they have a pressing financial commitment that cannot be satisfied other than by selling the securities of the Company.

Any exemption, if issued, will be in writing and shall contain a specified time period during which the sale of securities can be made.

5.8 Exceptional Circumstances

Exceptional circumstances may apply to the disposal of Company securities by a Director, employee or contractor if the person is required by a court order, a court enforceable undertaking for example in a bona fide family settlement, to transfer or sell securities of the Company or there is some other overriding legal or regulatory requirement to do so.

Any application for an exemption allowing the sale of Company securities outside of the Trading Window based on exceptional circumstances must be made in writing and be accompanied by relevant court and/or supporting legal documentation.

Any exemption, if issued, will be in writing and shall contain a specified time period during which the sale of securities can be made.

6. ASX NOTIFICATION FOR DIRECTORS

The ASX Listing Rules require the Company to notify the ASX within 5 business days after any dealing in securities of the Company (either personally or through an Associate) which results in a change in the relevant interests of a Director in the securities of the Company. The Company has made arrangements with each Director to ensure that the Director promptly discloses to the Company Secretary all the information required by the ASX which includes a director entering into a margin loan or similar funding arrangement.

7. EFFECT OF COMPLIANCE WITH THIS POLICY

Compliance with these Guidelines for trading in the Company's securities does not absolve that individual from complying with the law, which must be the overriding consideration when trading in the Company's securities.

SHAREHOLDER COMMUNICATIONS POLICY

1. INTRODUCTION

11 General

This Policy sets out the standards and the requirements of the Company in relation to communicating with its shareholders.

The Company is committed to:

- (a) ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way through the annual and half yearly reports, Investor Presentations, ASX releases, general meetings and the Company's website;
- (b) complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act in Australia; and
- (c) encouraging shareholder participation at general meetings.

The Company believes that an effective policy for communication with shareholders enhances its strong culture of disclosure to keep the shareholders and the relevant markets informed. This Policy reflects the Board's requirement that shareholders should be fully informed about the Company and that shareholders should have access to the latest information available utilising, where practicable, electronic communications to keep shareholders and the relevant markets informed of relevant information from the Company in a timely manner.

12 Scope

This policy endorses the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate governance principles and Recommendations (ASX Principles).

2 APPROVAL OF COMMUNICATIONS WITH SHAREHOLDERS

The Board will approve all shareholder communications. If in any circumstances that is not practical, shareholder communications will be approved by the Chairman.

3 COMPANY MEETINGS

31 Meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholder participation.

32 Notices of Company Meeting

The Annual General Meeting and other general meetings are held in accordance with the requirements of the Corporations Act.

The date, time and location of Company meetings will be detailed in the Notice of Meeting.

The Company will place all notices of general meetings and accompanying explanatory material on the Company's website.

The form and content of the notices of general meeting will comply with the Corporations Act 2001 and any applicable ASX listing rules and guidelines. Shareholders may fax or e-mail Proxy Forms for Annual General Meetings and General Meetings of the Company to the Company or Share Registry as directed.

4. ANNUAL REPORT

The Company's Annual Report to shareholders is a central means of communicating to shareholders the Company's activities, operations and performance over the past financial year.

Unless the Share Registry has been notified otherwise, the Annual Report will not be sent to shareholders. Notice of how the Annual Report can be accessed will be included in the Notice of Annual General Meeting which will be sent to the address recorded on the Company's Share Register within the timeframe set by the Corporations ACT.

5. THE COMPANY'S WEBSITE

The Company's website (www.dfm.net.au) contains information about the Company including shareholder communications.

The Company will place on its website all ASX announcements and relevant news releases and any other information that is an official release of material information to the market as soon as reasonably practicable after such information is released to the ASX.

Relevant news releases, Company financial announcements, financial data and investment presentations for the preceding two years will be available on or via the Company's website.

6. SHAREHOLDER NEWSLETTER

It is intended in the future to send a periodical shareholder newsletter to all shareholders by the method of delivery selected by them. The Shareholder newsletter when introduced will also be available for viewing on the Company's website.

7. COMMUNICATION VIA E-MAIL

It is the intention, in the future, to offer shareholders the choice of receiving shareholder communications from the Company via email. Shareholders who elect for this option will receive an e-mail advice with a link to the relevant part of the Company's website when annual reports are released, when notices of meetings and other shareholder communications are sent and each time a relevant announcement is made by the Company and posted on the Company's website.

Shareholders who elect to receive communications from the Company by email will not receive communications by post; however, if the Company receives rejection advice for any shareholder e-mail, the relevant material will be sent to the shareholder by post. It is intended that a shareholder will be able to change their election at any time.

8. COMMUNICATION VIA POST

The Company currently communicates with its shareholder; via post and, in the future, will continue to do so where a shareholder has not elected to use an electronic form of communication or otherwise as set out above.

9. ACCESS TO THIS POLICY

This Shareholder Communications Policy will be available for viewing by any person on the Company's website.

10. REVIEW OF THIS POLICY

This Shareholder Communications Policy is subject to regular review by the Board and will be amended (as appropriate) to reflect current best practice in communications with shareholders.

11. COMPANY CONTACTS

Shareholders, Investors and Members of the public should direct questions about their shareholdings to the Share Registry. The contact details for the Share Registry are:

Boardroom Pty Ltd GPO Box 3993

Sydney NSW 2001

To contact the Company in relation to the Shareholder Communications Policy, please contact the Company Secretary at:

Dongfang Modern Agriculture Holding Group Limited Level 18, 12 Creek Street

BRISBANE QLD 4000

AUSTRALIA

Tel. +61 2 8964 8531

[Email: enquiry@dfm.net.au](mailto:enquiry@dfm.net.au)

DIVERSITY POLICY

1. INTRODUCTION

The Company and all its related bodies corporate are committed to workplace diversity.

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

However the Company's main business undertaking is located in the Peoples Republic of

China and therefore it is difficult for the Company to meet this requirement immediately.

The implementation of an appropriate diversity policy to reflect the circumstances of the Company and the industry in which the Company operates is currently under review with this task to be delegated to a nomination committee.

The below is suggestive of what this policy may be in the future subject to the requirements of the laws of the Peoples Republic of China.

The Diversity Policy does not form part of an employee's contract of employment with the Company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of the Company with which an employee is expected to comply.

2. OBJECTIVES

The Diversity Policy provides a framework for the Company to achieve:

- 2.1 a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- 2.2 a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- 2.3 improved employment and career development opportunities for women;
- 2.4 a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- 2.5 awareness in all staff of their rights and responsibilities with regards to fairness, **equity and respect for all aspects of diversity,**

(collectively, the Objectives).

The Diversity Policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.³⁹

3. RESPONSIBILITIES

3.1 The Board's commitment

The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Board.

- (a) The Board is responsible for developing measurable objectives and strategies to meet the Objectives of the Diversity Policy (Measurable Objectives) and monitoring the progress of the Measurable Objectives through the monitoring, evaluation and reporting mechanisms listed below.
- (b) The Board may also set Measurable Objectives for achieving gender diversity and monitor their achievement.
- (c) The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

3.2 Strategies

The Company's diversity strategies include:

- (a) recruiting from a diverse pool of candidates for all positions, including senior management and the Board;
- (b) reviewing succession plans to ensure an appropriate focus on diversity;
- (c) identifying specific factors to take account of in recruitment and selection processes to encourage diversity;
- (d) developing programs to develop a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development;
- (e) developing a culture which takes account of domestic responsibilities of employees; and
- (f) any other strategies the Board develops from time to time.

4 MONITORING AND EVALUATION

The Chairman will monitor the scope and currency of this policy.

The Company is responsible for implementing, monitoring and reporting on the Measurable Objectives.

Measurable Objectives as set by the Board are intended to be included in the annual key performance indicators for the senior executives.

In addition, the Board will review progress against the Objectives as a key performance indicator in its annual performance assessment.

5 REPORTING

The Board will include in the Annual Report each year:

- 5.1 the Measurable Objectives, if any, set by the Board;**40.**
- 5.2 progress against the Objectives; and

the proportion of women employees in the whole organisation, at senior management level and at Board level.

CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

1. INTRODUCTION

The Company is in compliance with the Corporate Governance Council Recommendations checklist as set out in Appendix 4G other than as set out below:

2. APPENDIX 4G

Corporate Governance Council recommendation		Explanation ...
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.5	<p>A listed entity should:</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	The Board and Board Committees do have gender diversity. The Board is a small Board with only 5 directors and as such there is limited opportunity to set and report on measurable targets annually.
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	The Board has in place a process for periodically evaluating the performance of the Board, its Committees and individual directors but the evaluation was not completed prior to 31 December 2017 and as such disclosure will occur in the 2018 year.
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	The Board has in place a process for periodically evaluating the performance of its senior executives but the evaluation was not completed prior to 31 December 2017 and as such disclosure will occur in the 2018 year.
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE		
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Refer Annexure A
2.4	A majority of the board of a listed entity should be independent directors.	The executive directors bring a range of skills and experience necessary to support the continued growth of the Company

2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chair is the founder of the company and has extensive experience and contacts within the Chinese agricultural sector which are essential to the success and ongoing development of Dongfang.
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Board has scheduled a review of the Company's risk management framework in the current year.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Board does not have an internal audit function due to the cost of maintaining an internal audit function. The Board does review the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Not applicable



ANNEXURE A

Board Skill Matrix

Board Skills Matrix						
Skills Experience	Hongwei Cai	Ming Sing Barton Tso	Chiu So	Dan Lin	Wan-Man Michael Choi	Whole
Senior Executive	x	x	x	x	x	x
Other Directorships					x	x
Agricultural Industry Experience	x	x				x
Public and Government Relations	x	x	x	x	x	x
Operating In China	x	x	x	x	x	x
Technical Operational Expertise	x	x				x
Capital Markets	x	x	x	x	x	x
Financial Expertise			x			x
Corporate Governance	x	x	x	x	x	x
Strategic Planning/ Business Development	x	x	x	x	x	x
Environment/Sustainable Development					x	x
Health and Safety	x	x			x	x
Years of services in executive positions	8 years	20 years	15 years	20 years	25 years	N/A