



DONGFANG
MODERN

Dongfang Modern Agriculture Holding Group
Investor Presentation

October 2017



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All references to dollars, cents or \$ in this presentation are to Australian (AUD) currency, unless otherwise stated.

Key Facts

Market leading fruit harvester within the world's largest agricultural market

#2 in China large-scale citrus horticulture

Applying modern agricultural processes and technologies to China's traditional citrus and camellia sectors

20%–40% yield improvements

Capitalising on Chinese consumers' preference for healthy fruit products

China's middle class **increasing from 12% to 22%** of the population by 2030

Benefiting from long term **Government tax free initiatives**

China slow urbanisation drift, with 56% urban population increasing to 60% in 2020

Spanning **10,763 hectares of orchards** located within China's premier fruit-growing region

10% of China's citrus produced in Ganzhou

Growth strategy through **acquisition of orchards**, with potential to develop **downstream camellia health care products** in Australia

Products command premium prices

Company Snapshot



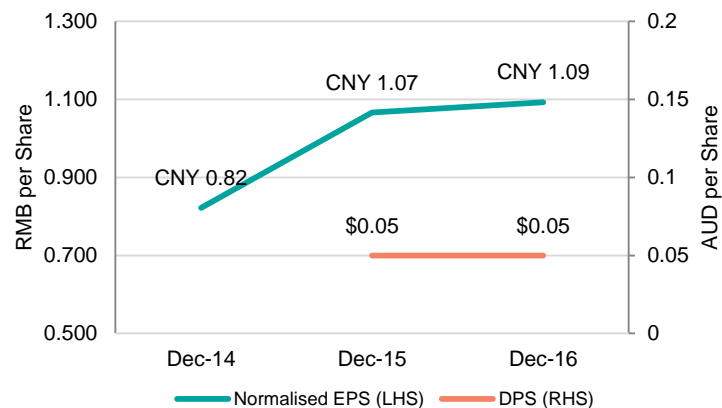
Summary

| | |
|------------------|--------|
| ASX code | DFM |
| Last close price | \$0.80 |
| Market cap. | \$336m |
| P/E Ratio | 3.4x |

*as at 20 Oct 2017

| | FY2015 (Restated) | FY2016 | 1H2017* |
|-----------------|----------------------|--------|---------|
| Revenue (A\$m) | 177 | 194 | - |
| NPAT (A\$m) | 76 | 82 | (1.2) |
| EPS (A\$) | 0.21 | 0.21 | (0.0) |
| DPS (A\$c) | 0.05 | 0.05 | - |
| NTA/share (A\$) | 0.82 | 1.02 | 0.89 |

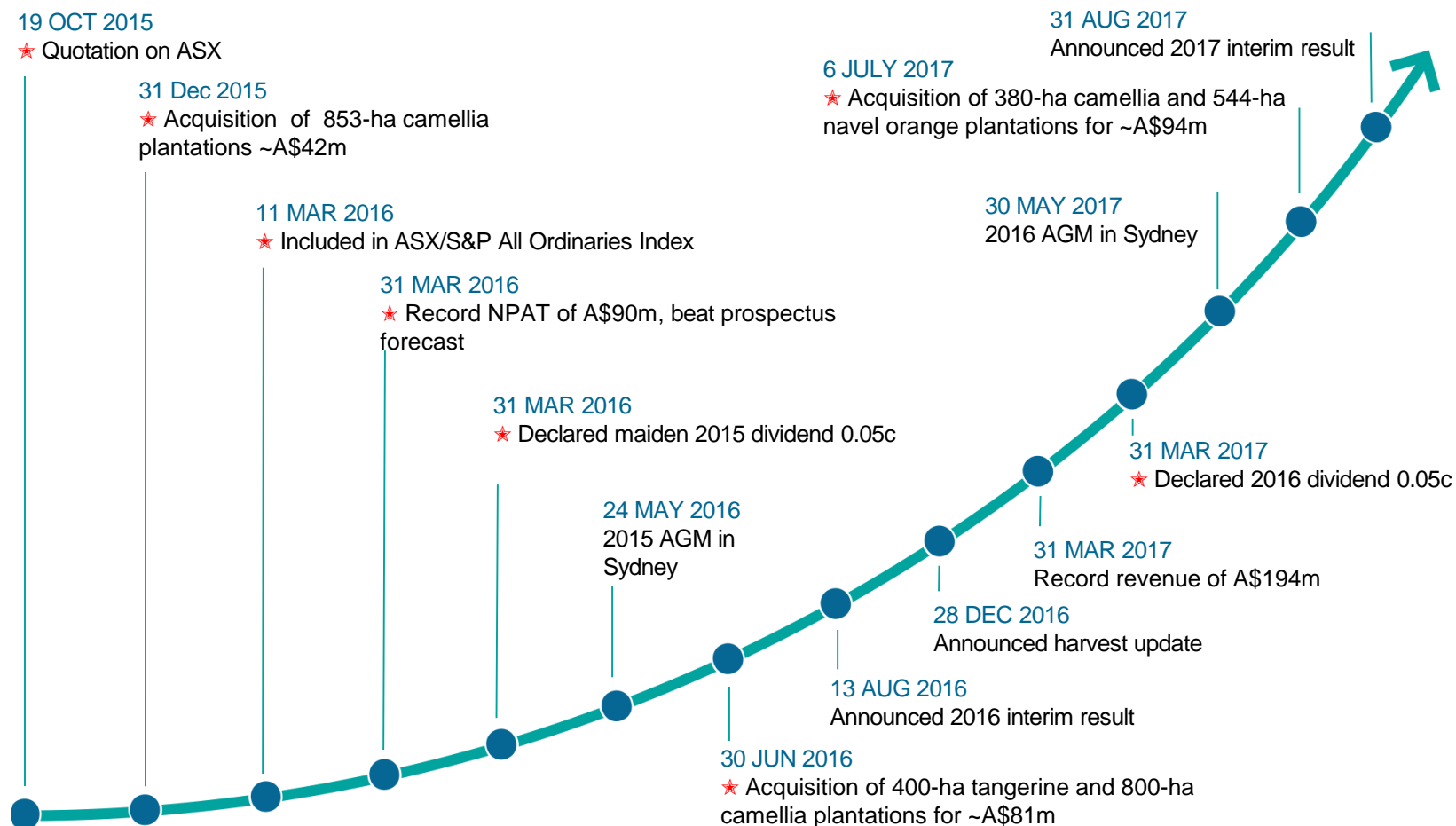
*Net cash flow subject to seasonality, more information on slide 10



*Last 12 months (LTM)



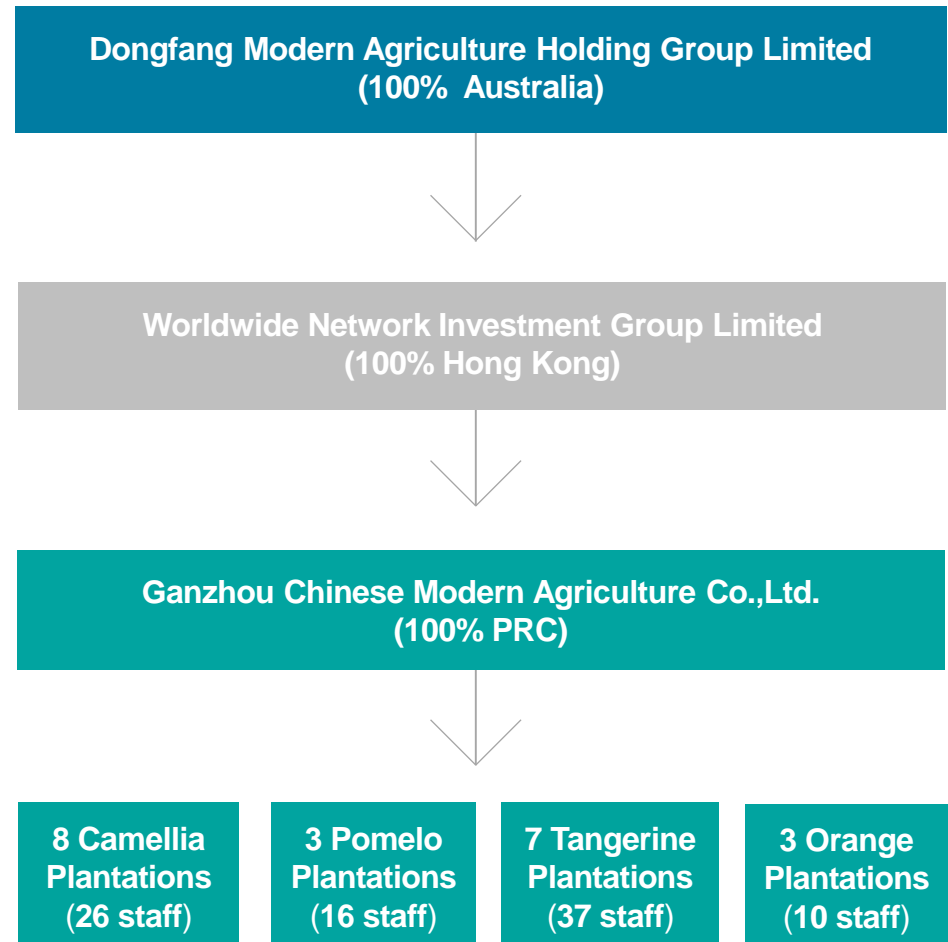
Timeline



Company Structure



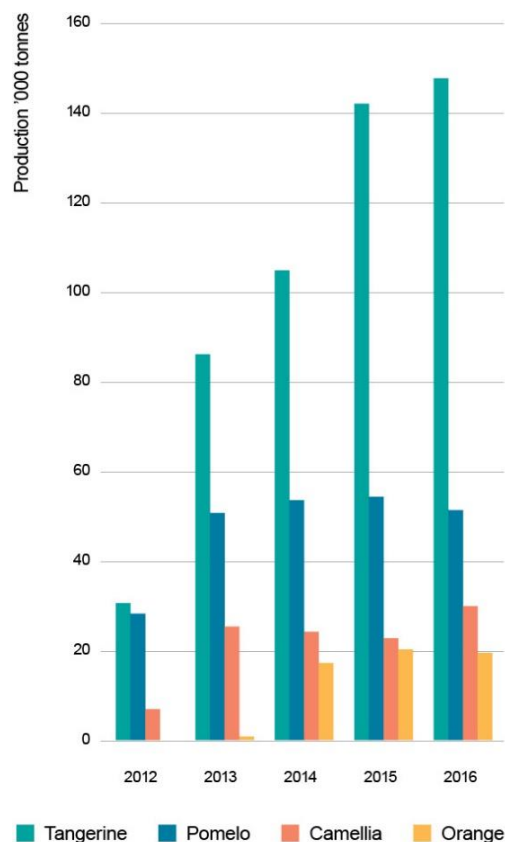
- Simple and clean corporate structure
- No joint ventures, associates or cross-shareholdings
- Audited by international firm PKF
- Head office in Ganzhou City and 21 plantations in the counties
- Total 100 staff including 89 staff at sites



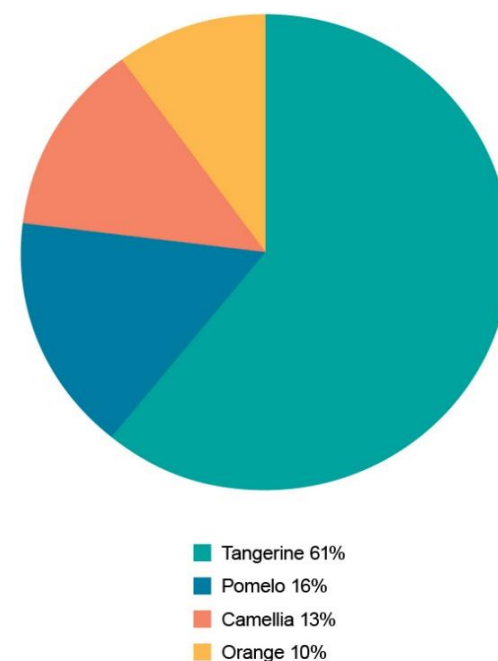
Historical Productions

- Production increase reflects 25% growth in orchard area over last two years
- Further **6% - 9% annual increase by acquisition** expected in the future
- We expect **over 10% yield improvement** in average for all existing orchards

Production by Categories



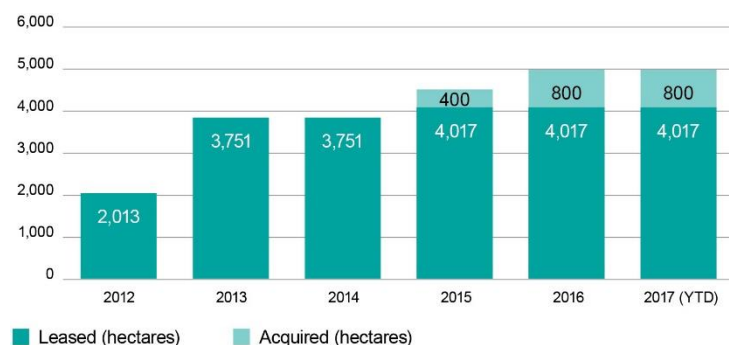
FY2016 Revenue Breakdown



Plantations (Lease vs Acquired)

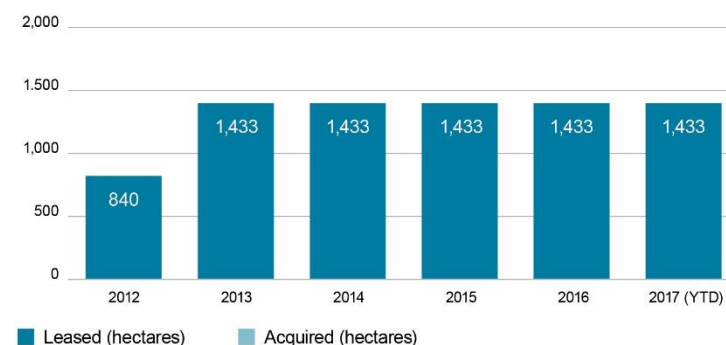
Tangerine Plantations

Value at cost as at 30 June 2017: ¥510m (~A\$98m)



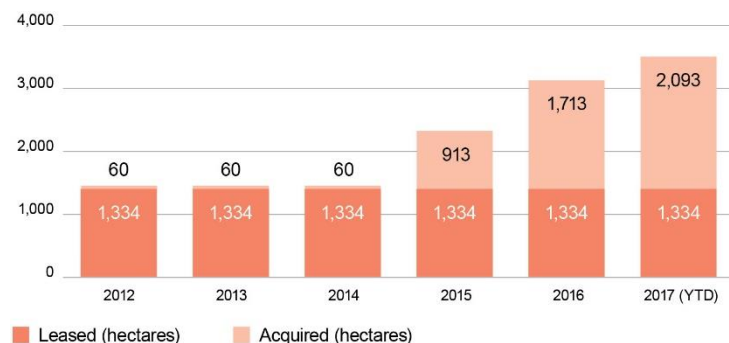
Pomelo Plantations

Lease as at 30 June 2017



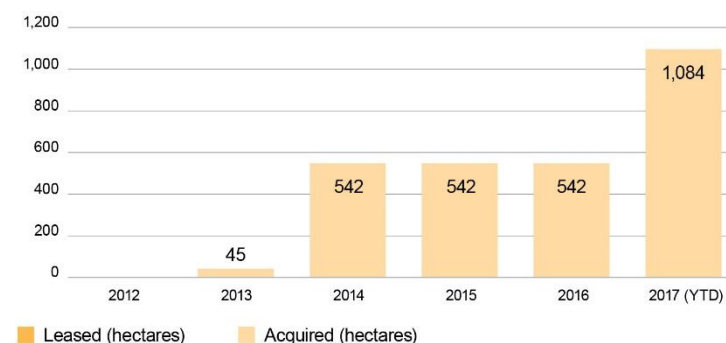
Camellia Plantations

Value at cost as at 30 June 2017: ¥421m (~A\$81m)



Orange Plantations

Value at cost as at 30 June 2017: ¥308m (~A\$59m)

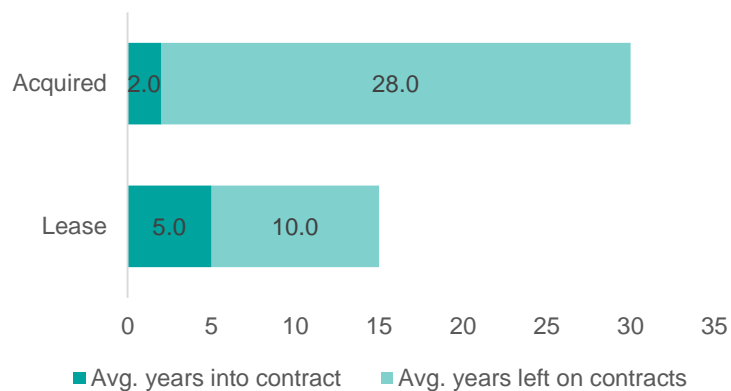


Note: VAC is calculated on a exchange rate of CNY/AUD – 5.21

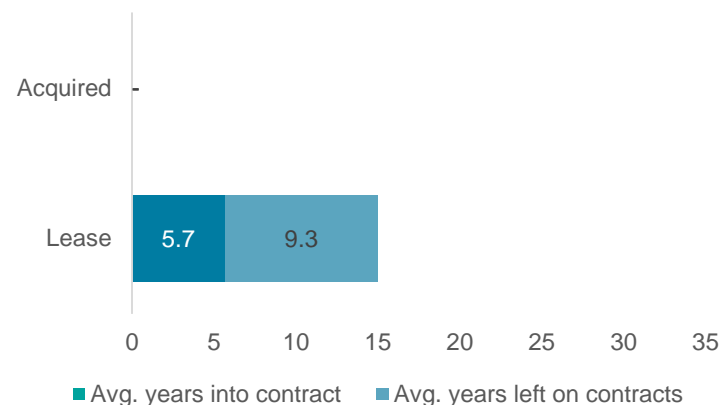
Plantation Contract Summaries



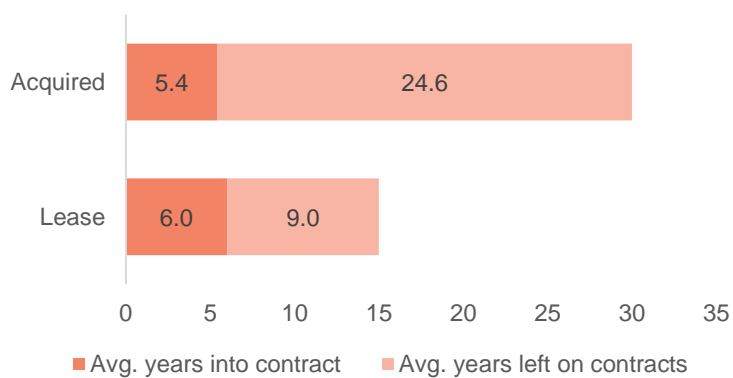
Tangerine



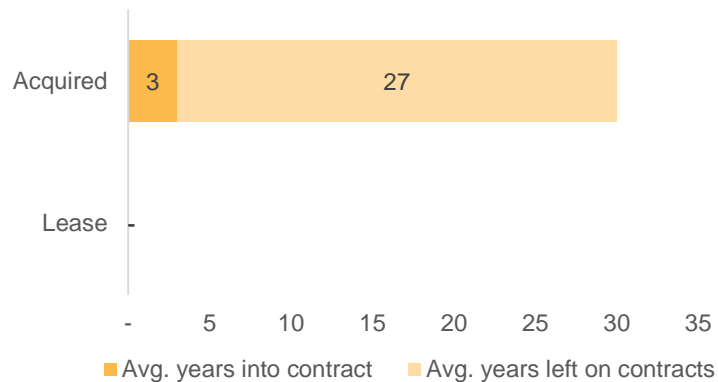
Pomelo



Camellia



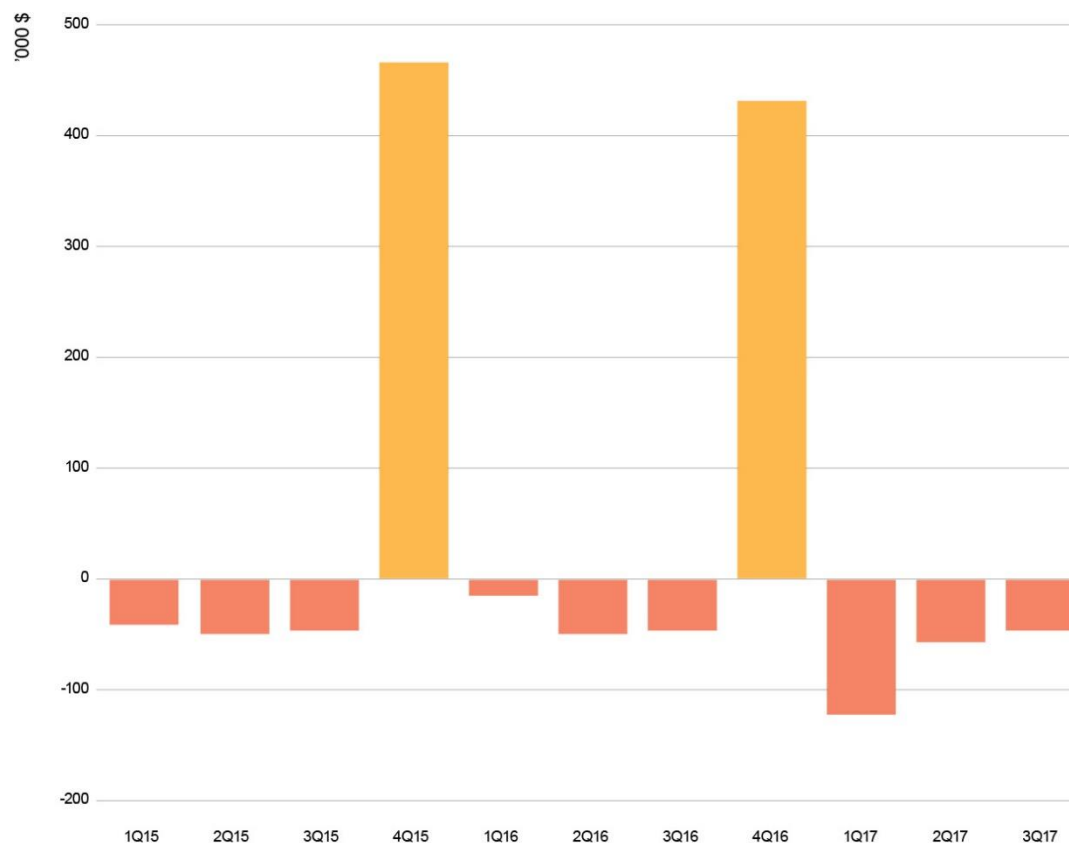
Orange



Cash Flow Movements

- Our net cash flow is currently seasonal
- Monthly cash flow run rate is ~ ¥ 25m/month (A\$4.8m)
- 1Q17 down payment on acquisitions
- Potential acquisition of downstream production business to smooth cash flow

Cash Flow Movements



Growth Plan – Primary Drivers

- Reinvest profit in upstream grower business, 6% - 9% p.a. plantation area increase every year through acquisitions
- Improve productivity and yield of acquisitions 20% - 40% in first three years by professional management
- Continued focus on achieving efficiencies and cost reductions; advantages from larger scale
- Benefit from FTA between China and Australia



Camellia Product Opportunity

- Camellia oil is a high-quality, healthy edible vegetable oil with a higher boiling point than olive oil
- It has high nutritional value, skin health benefits and excellent storage qualities
- Extensively used in China for cooking, and also cosmetics and medicine
- Supported by Chinese government policies, camellia oil production in China is expected to increase from 0.26 million tonnes annually to exceed 2.5 million tonnes by 2020 (15-20% of Chinese edible oil consumption)
- Annual personal consumption is 0.2kg in China, much lower than olive oil consumption of 20kg in developed countries
- The value of camellia oil business in 2020 is expected to be ¥ 112bn (A\$21.5bn)



Camellia oil products – possible growth opportunity

Australia Opportunity

- Camellia oil residuals and seed husks used in health care, such as skin care and cosmetic products
- Potential to acquire Australian health care business, taking advantage of synergies to broaden Dongfang's revenue base
- Opportunity for 25%-33% investment return capitalising on future China market growth
- Downstream camellia oil by-product business is a synergy
- Great demand in China for Australia-made products
- Dongfang's connections and sales networks in China open up the profit opportunity



Camellia oil by-products – Australian health care business

Shareholding



| Holder | Number of Shares | % of CSO | Description |
|---|------------------|----------|------------------------------|
| Cai, Hongwei (Executive Chairman) | 236,234,249 | 56.2 | Founder, Chairman |
| Lan Mu Ltd. | 68,250,000 | 16.2 | Long term HK IND investor |
| Hammer Capital Private Investments Ltd. | 17,255,000 | 4.1 | HK IPO corner stone investor |
| Prosper Rich Investments Ltd. | 10,681,248 | 2.5 | HK IPO corner stone investor |
| Merrill Lynch & Co. Inc., Banking Inv. | 10,232,690 | 2.4 | Other nominee a/c investors |
| Public Shareholders | 77,703,457 | 18.5 | Public Shareholders |
| TOTAL | 420,356,644 | | |

Analysis of Holdings as at 19 October 2017

Dongfang Modern Agriculture Holding Group Limited

Securities: Fully Paid ordinary Shares

| Holdings Ranges | Holders | Total Units | % |
|------------------------|------------|--------------------|---------------|
| 1–1,000 | 149 | 56,394 | 0.013 |
| 1,001–5,000 | 360 | 879,475 | 0.209 |
| 5,001–10,000 | 107 | 717,830 | 0.171 |
| 10,001–100,000 | 158 | 3,670,498 | 0.873 |
| 100,000–99,999,999,999 | 34 | 415,032,447 | 98.733 |
| Totals | 808 | 420,356,644 | 100.00 |

ASX-Listed Peer Trading Performance



| Companies | EV / EBITDA | | | EV / EBIT | | | P / E | | |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY2016 | FY2017 | FY2018 | FY2016 | FY2017 | FY2018 | FY2016 | FY2017 | FY2018 |
| Elders | 16.6x | 10.5x | 10.4x | 18.2x | 11.0x | 10.9x | 10.8x | 11.1x | 11.0x |
| Select Harvests | 10.3x | 17.4x | 12.8x | 13.5x | 32.6x | 20.5x | 12.1x | 44.2x | 27.2x |
| Dongfang Modern Agriculture Holding Group | 3.0x | - | - | 3.3x | - | - | 3.9x | - | - |
| Ridley Corporation | 9.1x | 10.7x | 8.6x | 12.1x | 15.5x | 12.1x | 15.7x | 16.8x | 17.3x |
| Tassal Group | 7.9x | 6.3x | 7.3x | 10.2x | 7.7x | 9.4x | 14.6x | 12.2x | 13.3x |
| Webster | nm | na | 11.6x | nm | nm | 14.8x | nm | 7.3x | 17.7x |
| Costa Group Holdings | 35.8x | 19.5x | 15.5x | 57.5x | 26.3x | 20.6x | 76.2x | 33.3x | 26.6x |
| Grain Corp | 20.0x | na | 8.9x | 94.1x | na | 15.7x | 62.9x | na | 16.4x |
| Average | 9.2x | 12.9x | 10.7x | 23.4x | 10.4x | 14.9x | 23.8x | 20.8x | 18.5x |
| Median | 9.7x | 10.7x | 10.4x | 12.8x | 13.3x | 14.8x | 13.4x | 14.5x | 17.3x |

Competitive Landscape

Top 5 Agricultural Product Farming and Sales Industry Players in Ganzhou in 2015

| Rank | Name of company | Headquarter Location | Revenue in 2015 (RMB million) | Share of Total Industry Revenue (%) | Production Volume (Tonnes in million) | Key Products | Farm Area (hectares) and Locations |
|--------|---|----------------------|-------------------------------|-------------------------------------|---------------------------------------|---|------------------------------------|
| 1 | Dongfang Modern Agriculture Holding Group Limited | Jiangxi Ganzhou | 933.9 | 8.6% | 240.0 | Camellia fruit, camellia seed, pomelo, tangerine and navel orange | 9,800ha in Ganzhou |
| 2 | Asian Citrus Holding Limited | Hong Kong | 408.9 | 3.8% | 103.8 | Navel orange | 3,733ha in Ganzhou |
| 3 | Jiangxi Yang's Trade Co., Ltd. | Jiangxi Ganzhou | 240.9 | 2.2% | 53.5 | Navel orange | Not available |
| 4 | Ganzhou Lvzhiyuan Fruit Industry Co., Ltd. | Jiangxi Ganzhou | 54.1 | 0.5% | 13.5 | Navel orange | 667ha in Ganzhou |
| 5 | Ganzhou Huifeng Planting Co., Ltd. | Jiangxi Ganzhou | 54.0 | 0.5% | 13.5 | Navel orange | 667ha in Ganzhou |
| Others | | | 9,045.3 | 83.5% | | | |
| Total | | | 10,830.2 | 100.0% | | | |

Key Risks



| | |
|------------------------------|---|
| Foreign Exchange Risk | The main business of the Company is the operation of fruit orchards in the PRC through its wholly owned subsidiary, Ganzhou Chinese. The earnings of Ganzhou Chinese are in RMB. However any dividends paid by the Company to shareholders will be in Australian Dollars. There is therefore a risk that the amount paid in dividends may fluctuate from time to time due to changes in the exchange rate between RMB and Australian Dollars. Further the financial performance of the Company may be affected by exchange rate fluctuations |
| Agricultural Risks | The main business of the Company is the operation of fruit orchards in the PRC through its wholly owned subsidiary, Ganzhou Chinese. Production of fruit may be affected by agricultural risks such as rain, frost, drought, flood, fire, storm, tempest, wind, pest and Disease |
| Market Risks | The price obtained for the fruit production may be affected by supply exceeding demand and price fluctuations. |
| Consumer Demand | Consumer demand for the fruit produced from the Company's operations may change affecting the price |
| Government Policy | Changes in Government policy may impact on returns from the Company's business operations |
| PRC Land Title System | All lands in the PRC are either state-owned or collectively owned. Accordingly Ganzhou Chinese does not own the land on which the operations are carried out. The operations of Ganzhou Chinese are dependent on maintenance of various agreements as detailed on the Company's website (refer Prospectus) with varying expiry dates between 2028 and 2044. There is a risk that these agreements might not be renewed at the end of these periods or that the agreements are terminated due to contractual breaches or compulsory acquisition by the PRC Government. |
| PRC Exchange Control | Although this is not currently an issue, changes in the exchange control rules of the PRC may affect the ability to distribute profits from the Chinese and Hong Kong subsidiaries of the Group to the Company for payment of dividends by the Company. |
| Lack of Insurance | Insurance companies in PRC offer limited commercial insurance products for the agricultural sector or only offer them on unattractive terms. As a result, Ganzhou Chinese does not maintain any insurances in PRC other than the compulsory insurances for employees and motor vehicles. There is a risk of an event occurring in PRC for which Ganzhou Chinese may be liable for which there is no insurance policy such as fire, flood or storm and tempest. |

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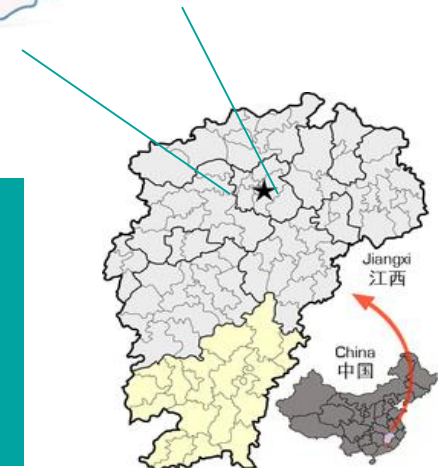
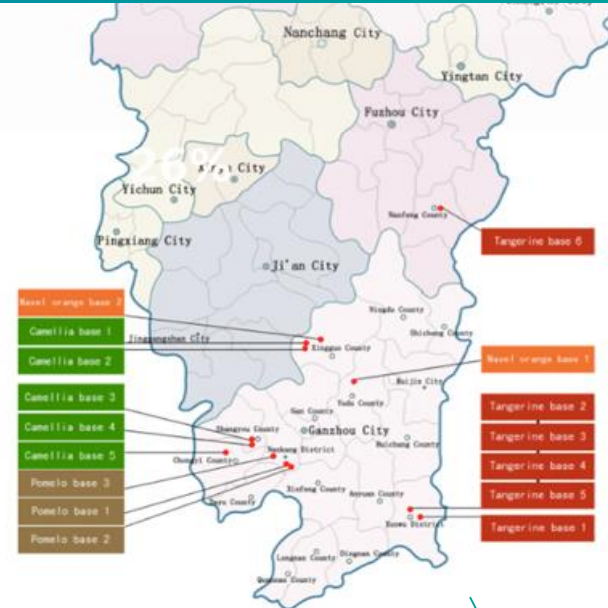
Appendices
































































Location

Enjoys all the advantages of being located within China's best fruit growing region

- 21 orchards, located in Ganzhou, Jiangxi
- Ganzhou City is a Special Citrus Zone
- “Gannan Navel Orange” is a national top brand
- High average rain falls ~1500mm p.a.
- Orchards equipped with dripping system and water tanks
- Long frost-free growing season
- Ganzhou population >9m provides ample labour force



Cultivation Calendar (2016*)

| | | Tangerine | Navel Orange | Camellia | Pomelo |
|--|-----------|---|--|---|---|
|  Weeding | January | |  | | |
|  Fertilising | February |   |   | |   |
|  Pesticides | March | | |    | |
|  Pruning | April | | | | |
| | May |     |     | |     |
|  Soil work | June |  |  | |  |
|  Frost proofing | July |  |  |  | |
|  Protection | August |   |  | |  |
|  Drying | September |   | |  |  |
| | October |  | |  |  |
|  Peeling | November |   |    |   |   |
|  Harvest | December |  | |   | |

*Timing of horticultural activities vary year on year due to seasonality.

Board of Directors / Management



Hongwei Cai
Executive Chairman

Founder and major shareholder (major underlying shareholder since 2008)

Extensive experience in management, marketing and business development of agricultural enterprises



Chiu (Charles) So
Chief Executive Officer

Previously Executive Director of a Hong Kong listed Company

17 years' experience in accounting and finance



Barton Tso
Executive Director

Previously Executive Director / Chief Financial Officer of a Hong Kong listed Company

27 years' experience in enterprise management and banking business investment



Dan Lin
Non-Executive Director

PRC government relations and Australian business development experience

Significant Chinese and Oz telecommunications industry experience including as a council member



Michael Choi
Non-Executive Director

Former member of Queensland Parliament

Held various ministerial portfolios including Mines, Energy, Natural Resources, Trade and Multicultural Affairs

- Dongfang controls 21 plantations spanning 10,763 hectares, located in China's premier citrus growing region, the Ganzhou City district, Jiangxi Province
- Private land ownership is not possible in the PRC, but individual farmers historically have been given a right to use the land. Government has allowed aggregation of these land usage rights to permit large-scale intensive farming
- Dongfang has aggregated several plantations, implementing better operating practices which increase yield and productivity
- Lease-hold operation rights purchased from village committees (co-operatives):
 - Lease: right to manage the orchards and sell the fruit produced, but do not own the land nor plantations on that land;
 - Acquired: own the land and plantations on that land
 - Lease: 15 years; Acquired: 30 years
 - Average life remaining for Dongfang plantations: ~16 years

2016 Financial Results



Robust financial performance

- NPAT \$81.6m
- Earnings per share: 23 cents
- 2015 financial restated due to change of accounting policy

| | 2016 | | 2015 | |
|--|----------------|----------------|------------------------|------------------------|
| | RMB '000 | AUD '000 | RMB '000 (Restated) | AUD '000 (Restated) |
| Revenue | 1,024,960 | 194,164 | 933,945 | 176,923 |
| Cost of sales | (572,099) | (108,376) | (515,756) | (97,703) |
| Gross profit | 452,861 | 85,788 | 418,189 | 79,220 |
| Other income | 1,231 | 233 | 1,038 | 197 |
| Administrative expenses | (13,201) | (2,501) | (17,783) | (3,369) |
| | 440,891 | 83,520 | 401,444 | 76,048 |
| Finance costs | (23) | (4) | (9) | (2) |
| Profit before income tax | 440,868 | 83,516 | 401,435 | 76,046 |
| Income tax expense | (10,200) | (1,932) | – | – |
| Profit for the year | 430,668 | 81,584 | 401,435 | 76,046 |
| Other comprehensive income: | | | | |
| Items that may be subsequently reclassified to profit or loss | | | | |
| Exchange differences on translating foreign operations | 7,389 | 1,400 | 8,154 | 1,545 |
| Income tax relating to items that may be subsequently reclassified to profit or loss | | | | |
| Other comprehensive income for the year, net of tax | 7,389 | 1,400 | 8,154 | 1,545 |
| Total comprehensive income for the period | 438,057 | 82,984 | 409,589 | 77,591 |
| Earnings per share | | | | |
| Basic | RMB1.10 | AUD0.21 | RMB1.09 | AUD0.21 |

Statement of Financial Position



Strong balance sheet

- Financial year end 31 December
- All receivables noted at 31 December 2016 were collected in early 2017
- Low liabilities
- Maintain proper cash level for 3 month's working capital outflow before and during harvest

AUD1 = RMB5.288291

30 June 2017
AUD '000

31 Dec 2016
AUD '000

As of 30 June 2017

Assets

Current

| | | |
|-----------------------------|--------|--------|
| Cash and cash equivalents | 29,766 | 71,149 |
| Trade and other receivables | 4,221 | 87,474 |
| Deferred expenses | 55,040 | 21,242 |

| | | |
|-----------------------------|---------------|----------------|
| Total current assets | 89,027 | 179,865 |
|-----------------------------|---------------|----------------|

Non-current

| | | |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 307 | 367 |
| Bearer plant | 315,976 | 229,349 |
| Deferred expenses | 23,722 | 4,212 |
| Non-current assets | 340,005 | 233,928 |

| | | |
|---------------------|----------------|----------------|
| Total assets | 429,032 | 413,793 |
|---------------------|----------------|----------------|

Liabilities

Current

| | | |
|--------------------------------|---------------|---------------|
| Trade and other payables | 26,050 | 28,862 |
| Amount due to a shareholder | 12,359 | 10,864 |
| Dividend payable | 19,402 | – |
| Obligation under finance lease | 16 | 15 |
| Income tax payable | 1,929 | 1,929 |
| Current liabilities | 59,756 | 41,670 |

Non-current

| | | |
|--|---------------|-----------|
| Final instalment on acquisition of bearer plants | 18,365 | – |
| Obligation under finance lease | 73 | 78 |
| Non-current liabilities | 18,438 | 78 |

| | | |
|--------------------------|---------------|---------------|
| Total liabilities | 78,194 | 41,748 |
|--------------------------|---------------|---------------|

| | | |
|-------------------|----------------|----------------|
| Net assets | 350,838 | 372,045 |
|-------------------|----------------|----------------|

Equity

| | | |
|-------------------|---------|---------|
| Share capital | 39,427 | 39,427 |
| Reserves | 14,120 | 14,467 |
| Retained earnings | 297,291 | 318,151 |

| | | |
|---------------------|----------------|----------------|
| Total equity | 350,838 | 372,045 |
|---------------------|----------------|----------------|

Taxation benefit provides >42% extra cash flow

Effective from 1 January 2008, Article 27 of the New Tax Law provides enterprises engaging in certain agricultural activities, including growing of fruits and selection and cultivation of new agricultural species, exemptions from China Enterprise Income Tax (EIT - 30%), VAT and business tax.

Encourages import replacement and also export

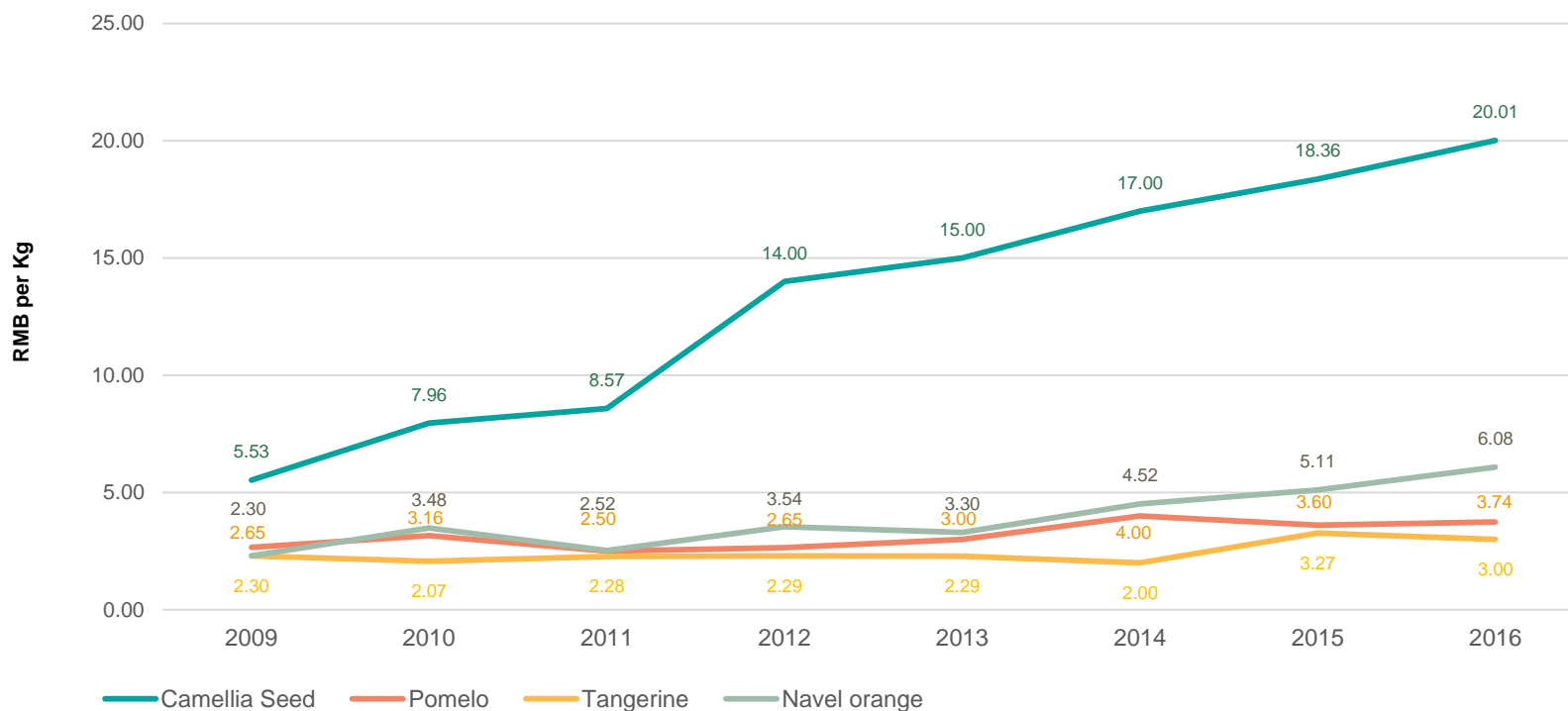
Tangerine, including pomelos, are well sought in China, with demand spilling over to imports. Whilst import share of markets is currently modest, the value and volume has been growing at a CAGR of about 40% and 34% respectively over the past 5 years.

The Chinese Government encourages import replacement and export and assists domestic plantation operators to expand their business.



Historical Commodity Prices in China

Price Trend in China from 2009 to 2016



Notes: The average price denotes the average selling price by farmers.
Source: Sources: Ministry of Commerce, PRC; Ipsos interviews and analysis

Consumption Trends Favour Citrus

Fruits are playing more important role in Chinese food consumption



Chinese citrus fruit growth forecast at CAGR of ~24% in value and ~12% in volume 2014–18

