

DONGFANG ACQUIRES TWO MAJOR PLANTATIONS

Leading Chinese agricultural company Dongfang Modern Agriculture Holding Group Limited ("Dongfang" or the "Company") (ASX:DFM) is pleased to announce the acquisition of two major plantations, extending the group's holdings in the camellia and navel orange markets within China.

The Company has acquired a 380-hectare camellia plantation and a 544-hectare navel orange plantation in Xingguo County, near the Company's existing plantations in the Ganzhou City district of Jiangxi Province, China's premier fruit region. The total consideration was approximately RMB 486 million (AUD 94 million).

Chairman Hongwei Cai said: "These acquisitions of mature, fruit bearing plantations strengthen Dongfang's position as the market leading fruit harvester in China. The new camellia plantation increases our area under cultivation by more than 10 per cent and improves our position to advance a possible downstream camellia oil business, diversifying our revenue streams. The camellia industry is profitable and rapidly growing as camellia oil is considered a premium cooking oil in traditional Chinese cooking due to its nutritional value, high smoke point and good storage properties. The oil is also used in cosmetics and for medicinal purposes. The growth of this industry is strongly supported by policies of the Chinese Government.

"Acquisition of the new navel orange plantation more than doubles our operations in this market. The Gannan navel oranges produced by Dongfang are sweet and pipless with high juice content, and attract a premium price. We operate in high-growth markets and seek to benefit from the increasing demand for high-quality oranges by consumers in China's tier-1 cities.

"Our strategy is to purchase more fruit-yielding trees to increase market share, which in turn will deliver more profit. Last year we purchased tangerine and camellia plantations, and the latest acquisitions continue our growth program. We acquire under-performing fragmented plantations, and intend to apply modern cultivation and tree husbandry methods in order to optimise yields ahead of the harvest season commencing in September 2017. We expect these new acquisitions will increase gross profit by over RMB46 million (~AUD8.8 million) for 2017 with further increases expected in following years. The acquisitions put us in a strong position to exceed our record 2016 crop."

Dongfang is a key supplier of camellia fruit, tangerine, pomelo and navel orange in China.

The acquisitions constitute the transfer of 30 years' operating rights of the plantations and ownership of the trees. An initial payment comprising 80% of the purchase price (approximately RMB389 million) (~AUD74.4 million) was made before 30th June 2017. The balance of the purchase price is payable on 30th June 2019.

Charles So



Chief Executive Officer

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About DFM

DFM is a leading agricultural producer operating within the world's largest market in China. DFM is unique in providing exposure to China's agribusiness sector for Australian investors.

In 2016, the company sold over 240,000 tonnes of fruit and camellia products, generating revenue of A\$194 million, net profit of A\$82 million, and operating margins in excess of 40%. The group's plantations today span more than 10,700 hectares.

Formed in 2008, the company has grown each year, benefitting from China's favourable taxation incentives for agribusiness companies.