
CORPORATE GOVERNANCE STATEMENT – For the Financial Year Ended 31 December 2016

Achieving a high standard of corporate governance is a priority for the Board of Directors. The Company has reviewed the ASX Corporate Governance Council's principles and best practice recommendations in order to provide a framework for its corporate governance practices with regard to the Company's particular circumstances and, in particular, its size and level of resources.

Principle 1: Lay solid foundations for management and oversight

As the Company has a small Board (currently comprising two non-executive directors and three executive directors), small corporate teams in Brisbane and Hong Kong and an operational management team in China, roles and functions must necessarily be flexible to deliver the Company's objectives. The statement of Board and management responsibilities is found within the Board Charter on the Company's website www.dfm.net.au.

Principle 2: Structure the Board to add value

The Board currently comprises five directors with two holding their positions in a non-executive capacity and are considered to be independent. The appointment date of each director is disclosed in the directors' report. Ms Dan Lin and Mr Michael Wai-Man Choi are considered to be independent directors. No materiality threshold has been applied due to the absence of any relationship affecting their independent status. The skills, experience and expertise of each director is set out in the directors' report.

The Company's Policies Manual on the Company's website www.dfm.net.au:

- sets out what the Board will consider when appointing a director including the requirement for a candidate to provide checks as to their character, experience, education, criminal record and bankruptcy history; and
- sets out the procedures for obtaining material information from candidates to be provided to security holders that will be relevant to a decision on whether or not to elect or re-elect a director.

The Company has entered into written agreements with each of its directors. The Company's Policies Manual requires that each director sign an agreement in writing or letter of engagement that sets out the terms of their appointment.

The Company's Policies Manual provides that the company secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board.

No formal evaluation of the performance of the Board was undertaken during the year.

Under the Company's Constitution, no director except the Group Managing Director may hold office for a period in excess of three years or beyond the third annual general meeting following the

director's election without being submitted for re-election. At every annual general meeting one third of the directors or the number nearest to, but not exceeding, one third must retire from office and are eligible for re-election.

Principle 3: Promote ethical and responsible decision-making

Code of Conduct

The Board has adopted a Code of Conduct to promote lawful, ethical and responsible decision-making by directors, management and employees. The Code promotes compliance with laws and regulation and avoidance of conflicts of interest, embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity. The Board has also adopted Policies for Shareholder Communications, Risk Management and Internal Control, Continuous Disclosure and Diversity each of which is directed to ensuring thoughtful and responsible interaction with stakeholders and the communities in which the Company operates as well as compliance with relevant statutory requirements.

Policy for trading in Company securities

In accordance with ASX Listing Rules 12.9, 12.10, 12.11 and 12.10, the Board has adopted a policy on trading in the Company's securities by directors, senior executives and employees, which raises awareness of the law in relation to insider trading, specifies blackouts and provides notification protocols.

Diversity

Dongfang Modern Agriculture Holding Group Limited values diversity and recognises the benefits it can bring to the Group's ability to achieve its goals. Accordingly, the Group has developed a diversity policy. This policy outlines the Group's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to annually assess both the objectives, and the Company's progress in achieving them.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives in relation to diversity:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- 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
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity,

Principle 4: Safeguard integrity in financial reporting

Audit and risk management

The Company has established an Audit and Risk Committee. The Committee currently comprises Mr Chiu (Charles) So (Committee Chair), Mr Ming Sing Barton Tso and Ms Dan Lin and met four times during the reporting year. As Mr So and Mr Tso are not independent, the company is not fully complying with the Principle however the Board is of the view that this in no way impeded the Audit Committee in discharging its mandate effectively. Ms Dan Lin is an independent director. The qualifications and experience of the Audit Committee members are set out in the directors' report.

The Group Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company have been properly maintained and that the Company's financial statements for the year ended 31 December 2016 comply with accounting standards, and present a true and fair view of the Company's financial condition and operational results. This statement is required annually. The external auditor is invited to Audit Committee meetings at the discretion of the Committee.

Principle 5: Make timely and balanced disclosure

Disclosure policy

The Board places a strong emphasis on full and appropriate disclosure and has adopted a Continuous Disclosure Policy to ensure timely and accurate disclosure of price sensitive information to shareholders through the lodgement of announcements with ASX. Clear procedures govern the preparation, review and approval of all announcements including technical material.

Principle 6: Respect the rights of shareholders

The Board is committed to open and accessible communication with holders of the Company's shares and other securities. The Board and the Company Secretary are responsible for the communication strategy to promote effective communication with shareholders and to encourage effective participation at general meetings. Dongfang Modern Agriculture Holding Group Limited adheres to best practice in its preparation of Notices of Meetings, and through its share registry, offers to members the option of receiving shareholder communications electronically. The Continuous Disclosure Policy can be found on the Company's website. Subject to ASX disclosure rules, the Company communicates regularly with shareholders, brokers and analysts, and publishes the information provided on its website.

Principle 7: Recognise and manage risk

The Board is 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.

Annually, 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 and discuss strategic risks and opportunities arising from changes in the Company's business environment regularly and on an as needs basis.

The Company's Policies Manual sets out the Company's Risk Management Policy and is posted on the Company's website www.dfm.net.au.

The Company does not have an internal audit function.

Principle 8: Remunerate fairly and responsibly

The Company has established a Remuneration Committee. The Remuneration Committee currently comprises Mr Michael Wai-Man Choi (Committee Chair), Mr Chiu (Charles) So and Mr Ming Sing Barton Tso and met once during the year. The Committee Charter and remuneration policy have been approved by the Board. The qualifications and experience of the Remuneration Committee members are set out in the directors' report.

As the majority of the Committee are not independent directors, the Company is not fully complying with the Principle.

The Company's Policies Manual sets out the Company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company does not have an equity-based remuneration scheme.