



**Dongfang Modern Agricultural Holding Group**

**Initial Public Offering**

**July 2015**





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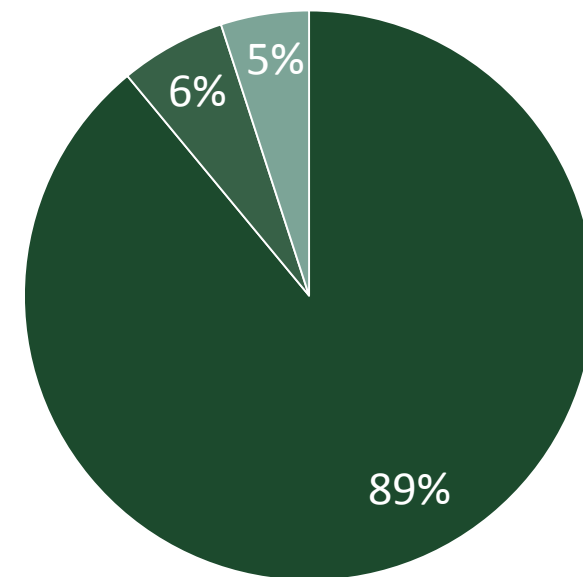
Application for shares can only be made pursuant to the Prospectus issued by the Company and available from the Company's website ([www.dongfangmodernagriculture.com](http://www.dongfangmodernagriculture.com)), the Lead Manager, Paradigm Securities and from the ASX website.

# IPO Summary

## A\$351M value

Capital raising	<ul style="list-style-type: none"><li>• Minimum A\$39M</li><li>• Maximum A\$50M</li></ul>
Number of new Shares issued	<ul style="list-style-type: none"><li>• Minimum 39M</li><li>• Maximum 50M</li></ul>
Offering price	<ul style="list-style-type: none"><li>• A\$1.00 per share</li><li>• 5.3x PER(Min-sub) /5.5x PER(Max-sub)</li></ul>
Number of Shares on Issue at Completion of the Offer	<ul style="list-style-type: none"><li>• Minimum 390M</li><li>• Maximum 401M</li></ul>
EPS on 2013/ 2014/2015 FY (Pro forma)	<ul style="list-style-type: none"><li>• Minimum raise - 0.124/ 0.192/ 0.194</li><li>• Maximum raise - 0.124/ 0.192/ 0.188</li></ul>
Proposed dividend per share	<ul style="list-style-type: none"><li>• A\$0.034(Max-sub)/ A\$0.035(Min-sub)</li><li>• 20% dividend payout ratio</li></ul>

### Pre-IPO capital share structure



- Hongwei CAI
- Super Fusion International Ltd
- Huge Ease Limited



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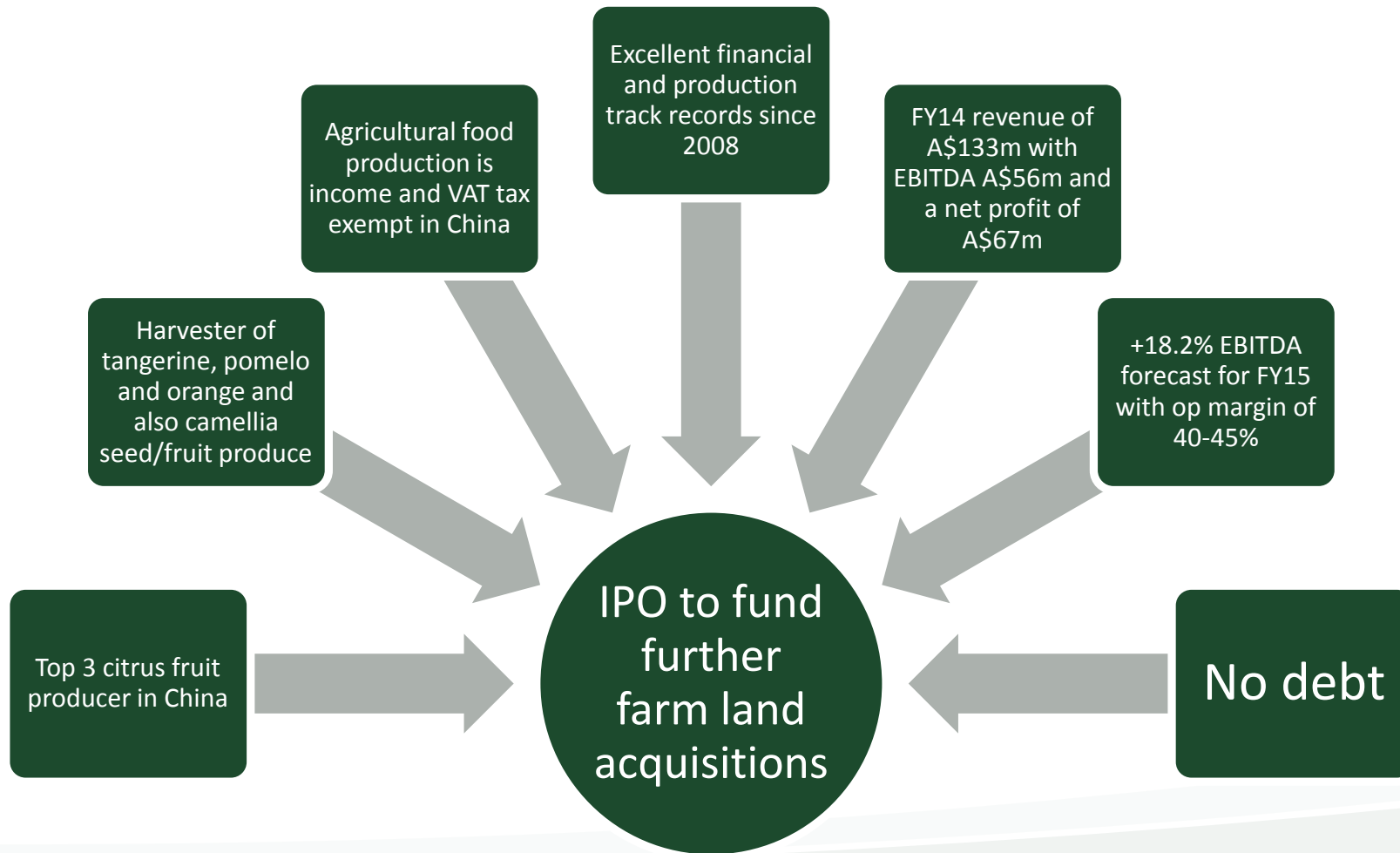
Industry overview

IPO share offer

# Investment highlights



# Investment highlights



\*Note: Before taking into foreign exchange differences, the forecast for growth of EBITDA FY2015 is 18.2%; After taking into foreign exchange differences, the forecast for growth of EBITDA FY2015 is 33.2%.



# Who we are – Dongfang Modern Agricultural



# Tangerines (mandarins) and oranges





# Pomelos (sweet grapefruit)



# Camellia fruit and nuts



**Growth opportunity**



# Camellia oil products



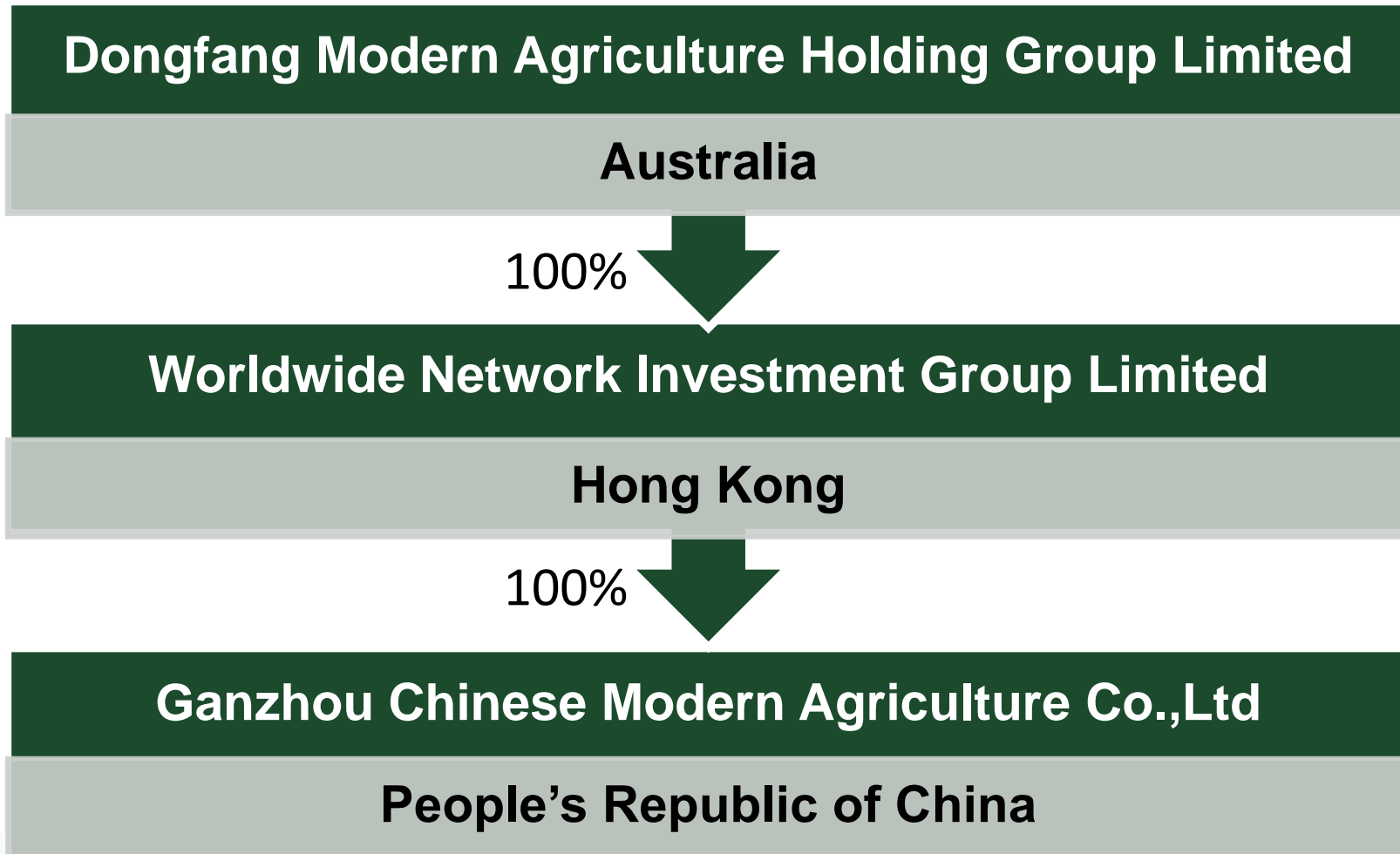
Note: Dongfang currently does not produce any camellia oil.

[www.dongfangmodernagriculture.com.au](http://www.dongfangmodernagriculture.com.au)

**Major opportunity**



# Corporate structure



# Board of directors



**Mr. Hongwei CAI**

- Core leader, founder and Chairman, major shareholder



**Mr. Ming Sing Barton TSO**

- CEO, previously ED & CFO of China Fortune (HK listed)



**Mr. Chiu SO**

- CFO, previously ED of China Packaging (HK listed)



**Mr. Michael CHOI**

- Non- Executive Director, former member of QLD Parliament



**Ms. Dan LIN**

- Non- Executive Director and Board Secretary

# Business overview



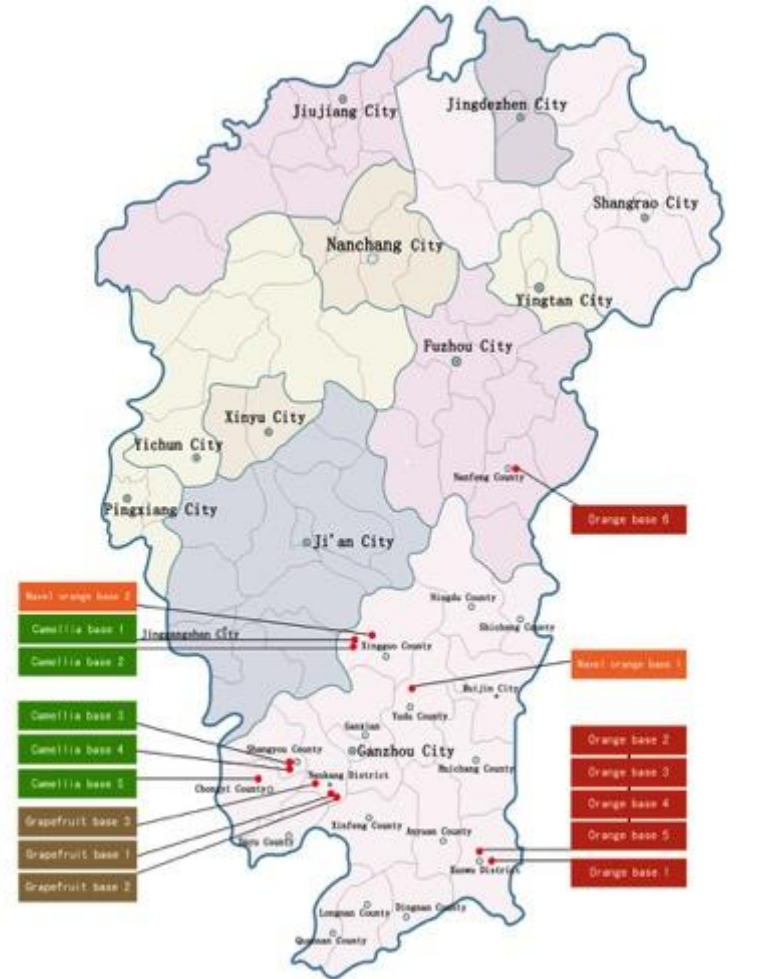


# Ideally located

- ❖ Region selected by climate, soil and infrastructure.
- ❖ Ganzhou City is within Special Citrus Zone
- ❖ Ganzhou brand well known for navel orange
- ❖ High ave rainfall of about 1500mm pa
- ❖ Low cost of irrigation
- ❖ Long frost-free growing season
- ❖ Ganzhou > 9m population gives ample labour



19 farms



Map of Jiangxi Province

- Camellia base
- Grapefruit base
- Orange base
- Navel orange base

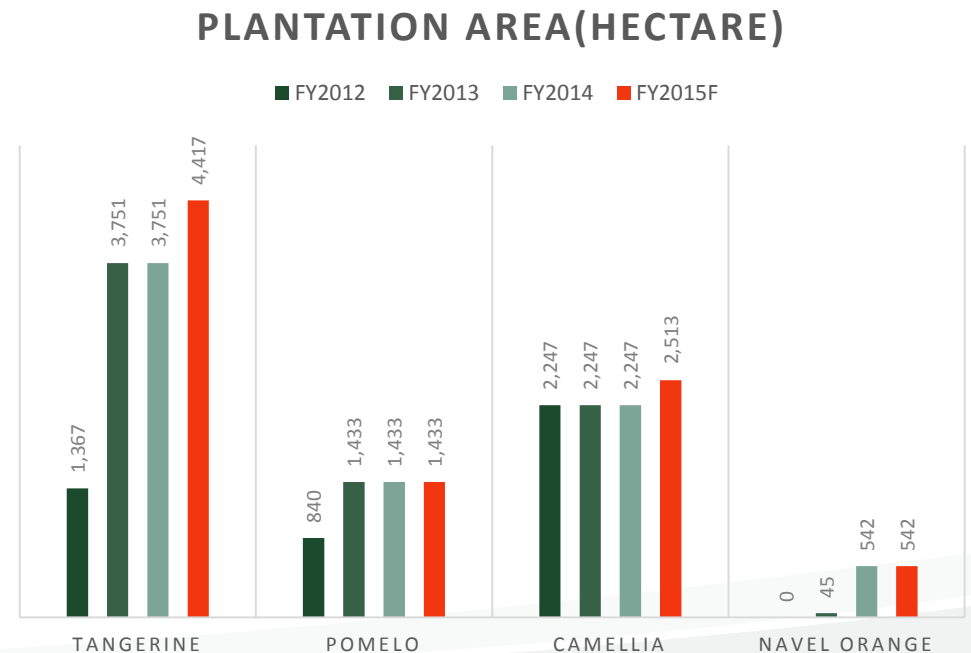
Located within China's best fruit growing region

# Plantation area growth

## Plantation Area by Key Products

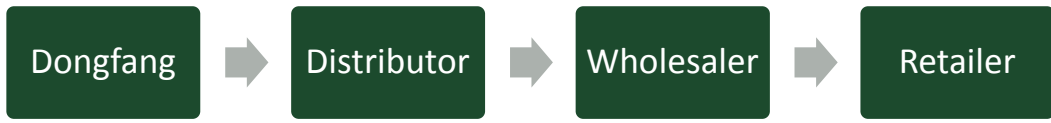
Areas (Ha)		<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15F</u>
Tangerine	Leased	1,367	3,751	3,751	4,017
	Purchased			-	400
	Sub Total	1,367	3,751	3,751	4,417
Pomelo	Leased	840	1,433	1,433	1,433
	Purchased	60	60	60	60
Camellia	Leased	2,187	2,187	2,187	2,453
	Sub Total	2,247	2,247	2,247	2,513
	Purchased	-	45	542	542
<b>Total</b>		<b>4,453</b>	<b>7,475</b>	<b>7,972</b>	<b>8,906</b>

## Change in Area by Product

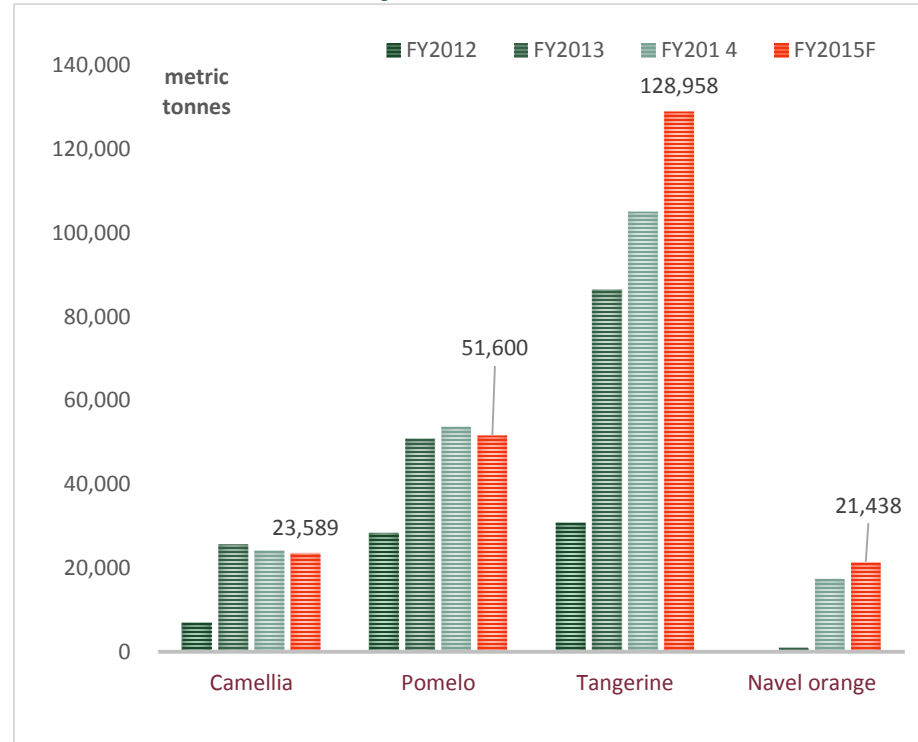


# Sales and distribution

- ❖ Long-term relationships with a range of wholesale customers
- ❖ Citrus fruits delivered quickly and efficiently to Tier 1 cities throughout China
- ❖ Marketing contracts give premium prices
- ❖ Top 5 clients provided ~50% of revenue



Production by Fruit from FY12 to FY15

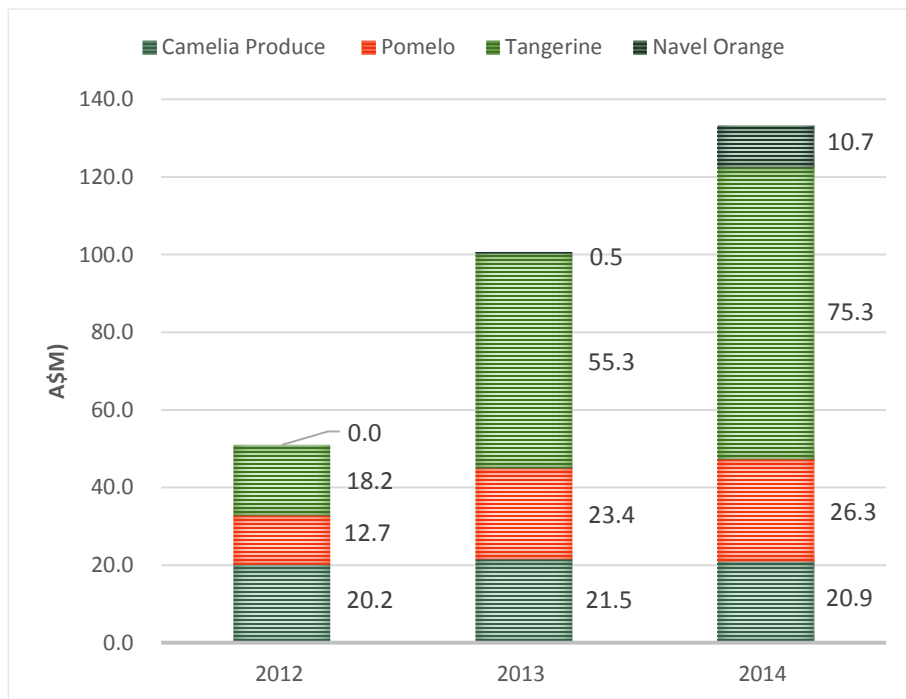


- ❖ 200,548 tonnes of fruits produced in FY14
- ❖ Tangerine accounted for 52% of the Company's output ( >Australia's annual mandarin production)

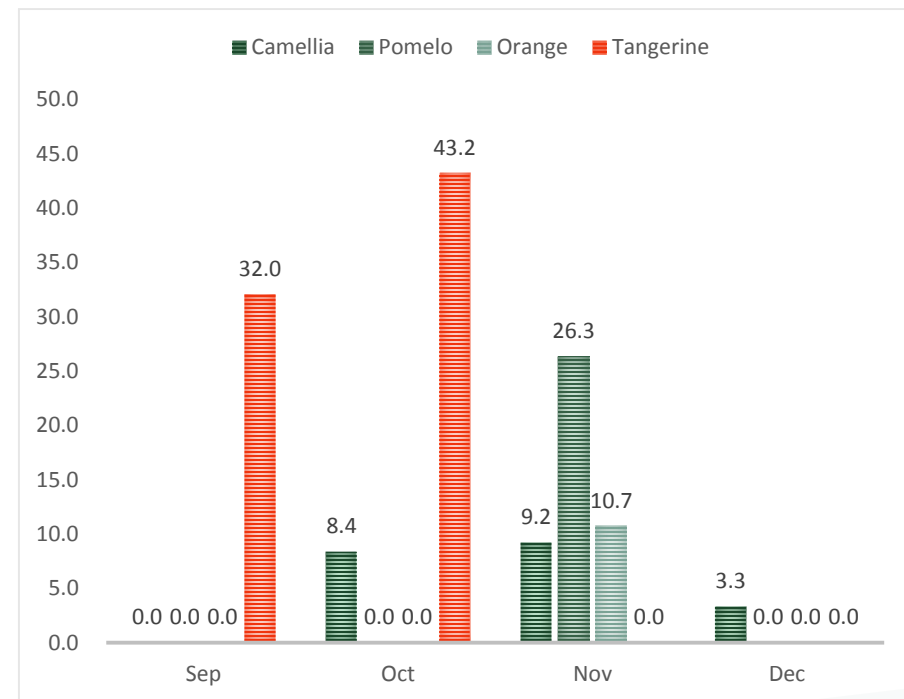


# Revenue by fruit type

## Revenue by Product (A\$m)

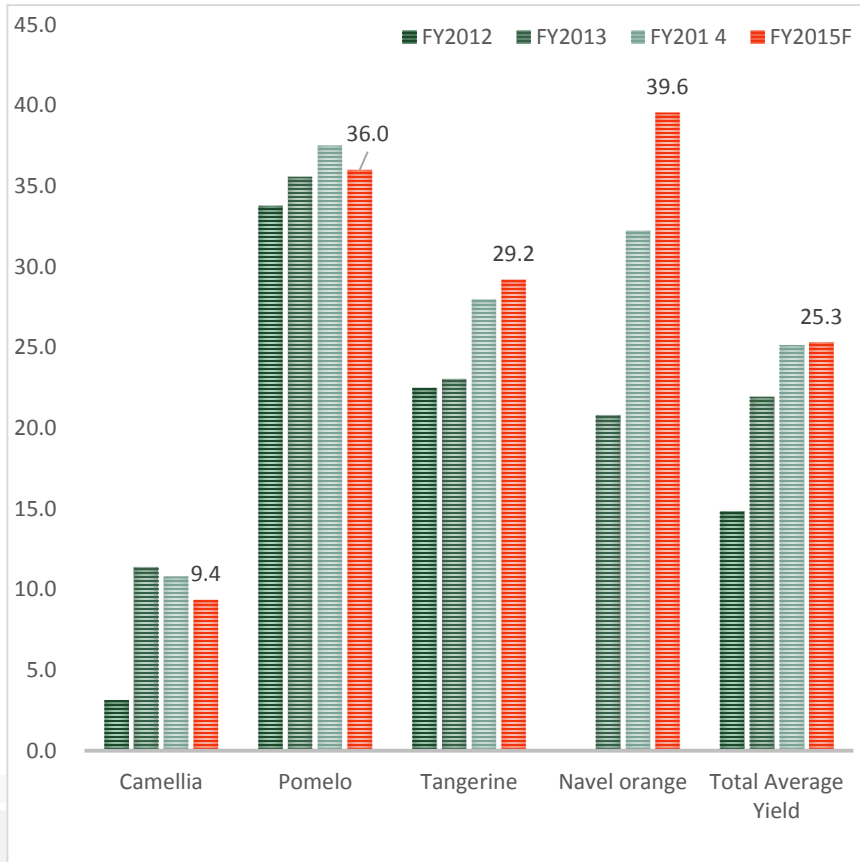


## 2014 Revenue Seasonality (A\$m)

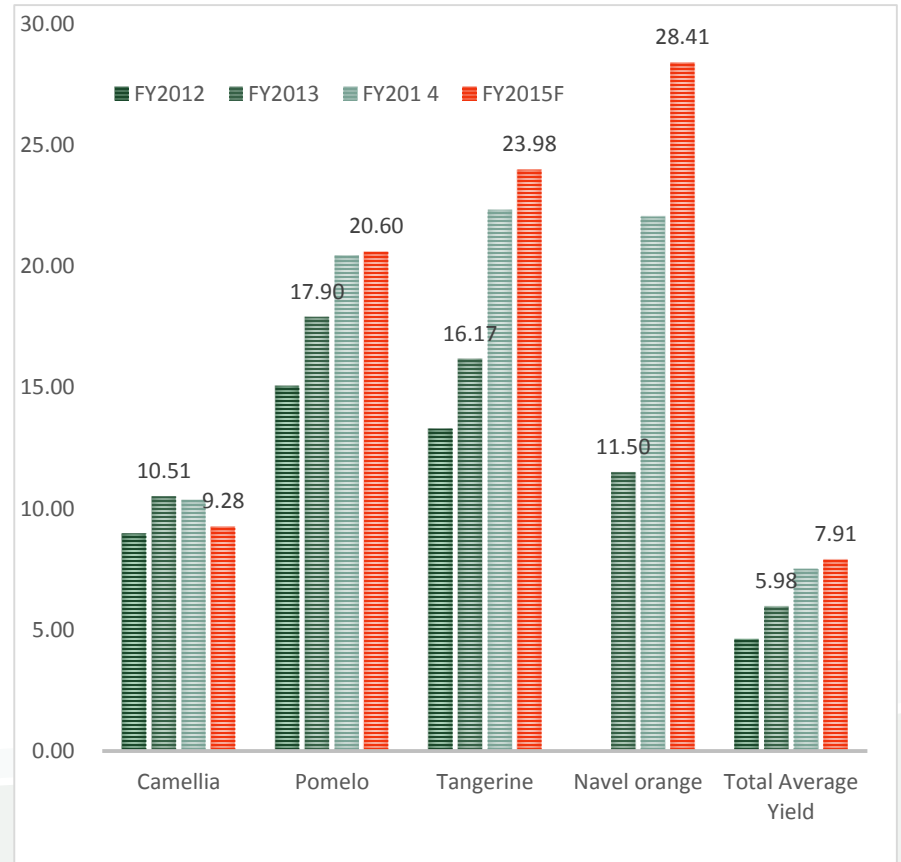


# Operating efficiencies

Plantation Yield (tonnes per hectare)

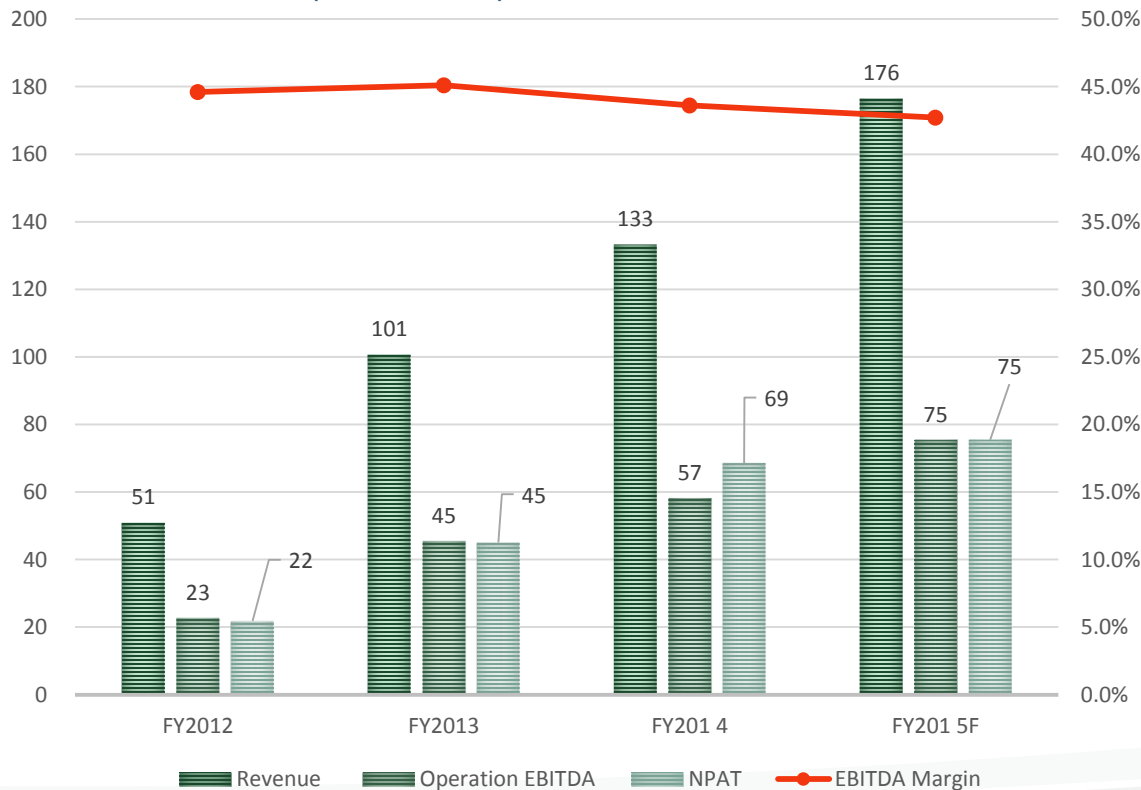


Plantation Yield (A\$000 per hectare)



# Financial performance

**FINANCIAL PERFORMANCE**  
(A\$ MILLIONS)



- ❖ FY14 revenue A\$133m, EBITDA A\$58m and net profit of A\$69m (due to Bio assets revaluation )
- ❖ FY15 +18.2% EBITDA growth forecast
- ❖ Operating EBITDA margin 40-45%.
- ❖ FY15 to gain from acquisitions and efficiencies
- ❖ A\$55m current working capital
- ❖ **No debt**

\*Note: Before taking into foreign exchange differences, the forecast for growth of EBITDA FY2015 is 18.2%; After taking into foreign exchange differences , the forecast for growth of EBITDA FY2015 is 33.2%.





# Strategies for future growth

Optimise plantation efficiencies by yield gain and cost cutting

Expand land tenure through strategic acquisition

Develop national and international Ganzhou Chinese brand

Develop integrated Camellia Oil business

Extend distribution chain and enhance the industry control position



# Government incentive policy

## Taxation benefit gives >42% extra cashflow

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

Citrus fruits, 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.



# Our competitive strengths

Already a citrus industry leader

Perfect location for fruit cultivation

Aggregation initiator with established large scale operations

Very strong revenue, profitability, cashflows, no debt

PRC Government incentives support business plans

Well-established and stable network for supply of inputs

Experienced management teams

Proven track record of delivering growth and profitability



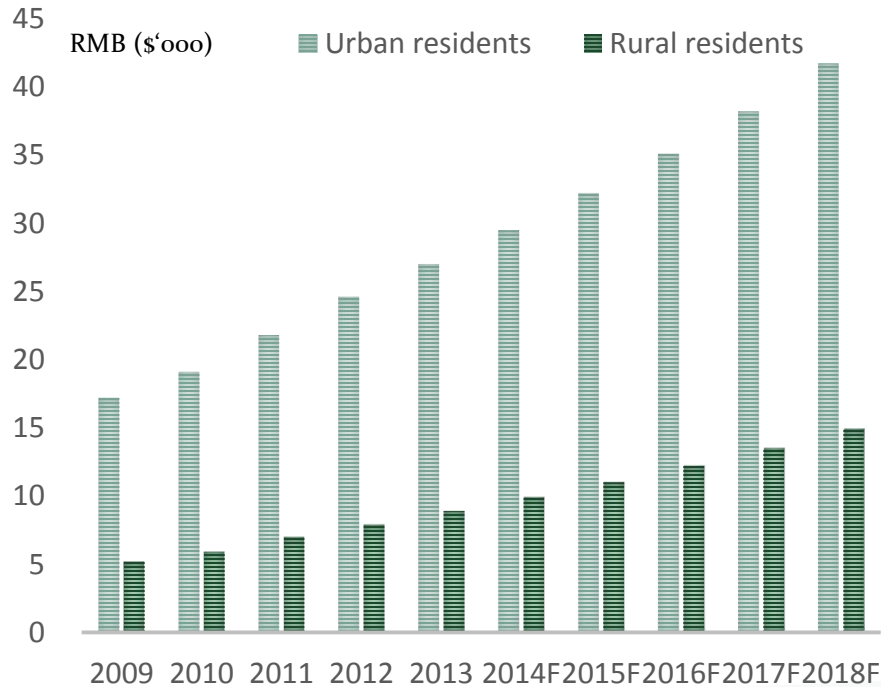
# Industry overview



# Solid foundation within huge market

❖ Rising household disposable income for both urban and rural

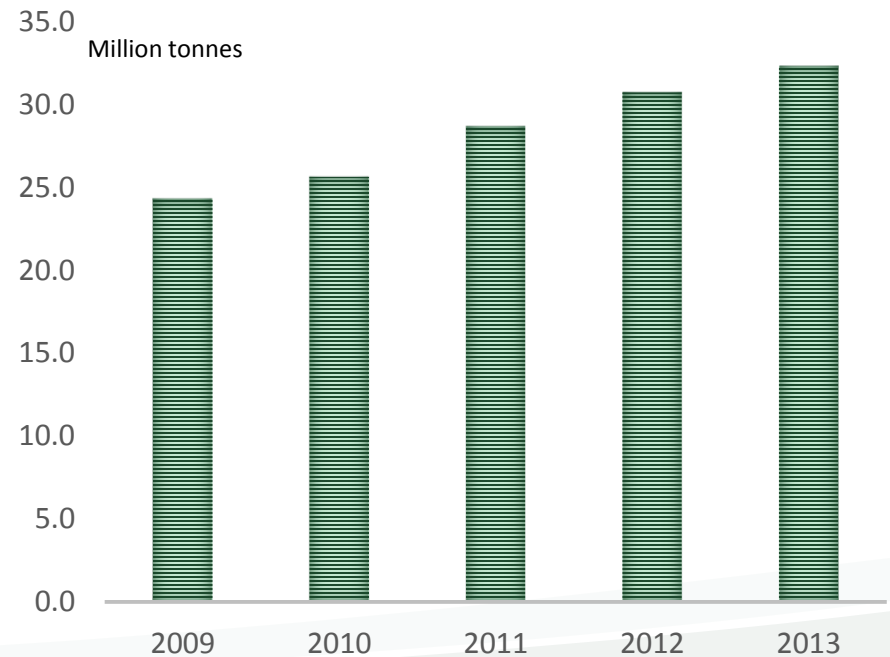
*Average Annual Household Disposable Income in China from 2009 - 2018*



Source: Ipsos report

❖ Rising consumption volume of citrus fruits in China

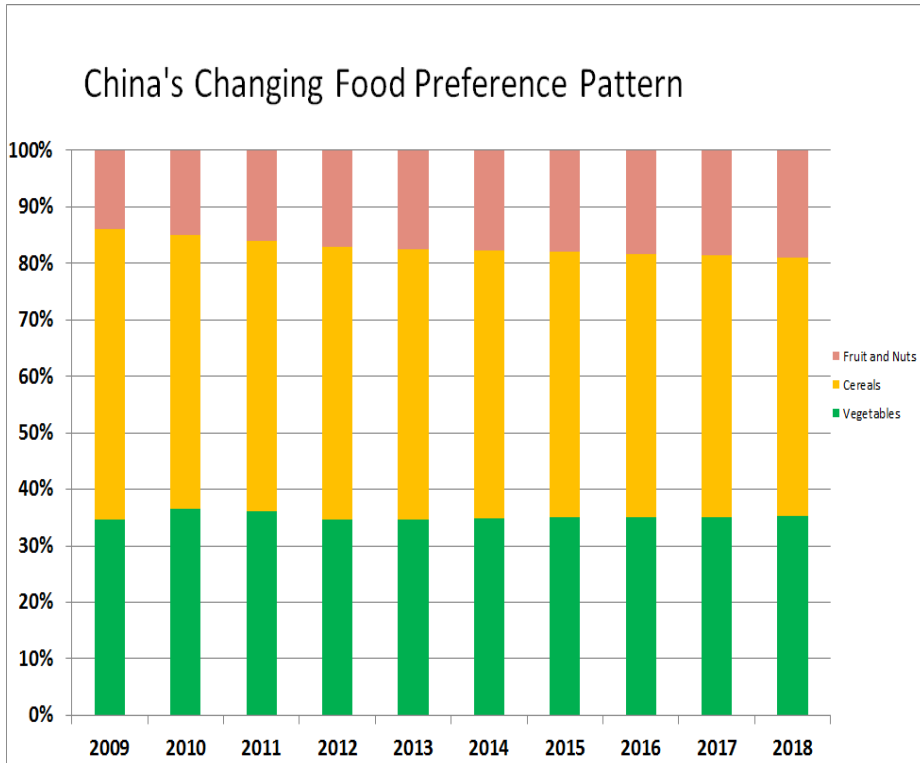
*Consumption volume of citrus fruits in China from 2009 - 2013*



Source: Ipsos report

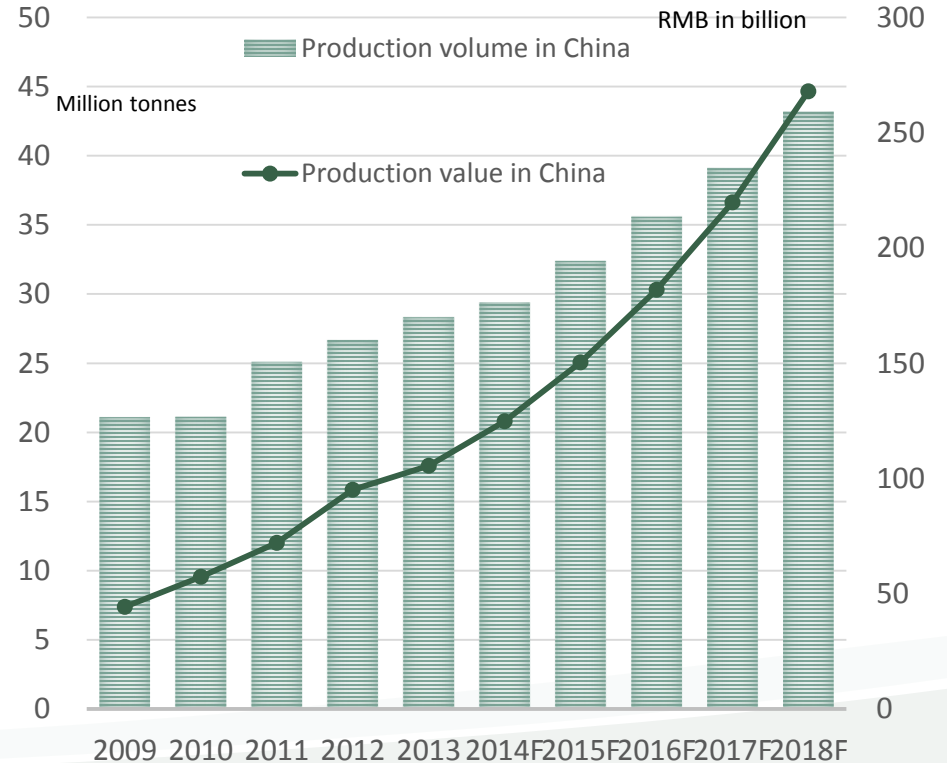
# Consumption trends favor citrus

❖ Fruits are playing more important role in Chinese food consumption



Source: Ipsos report

❖ Citrus fruit in China is expected to grow at CAGR of ~24% in value and ~12% in volume respectively from 2014 to 2018



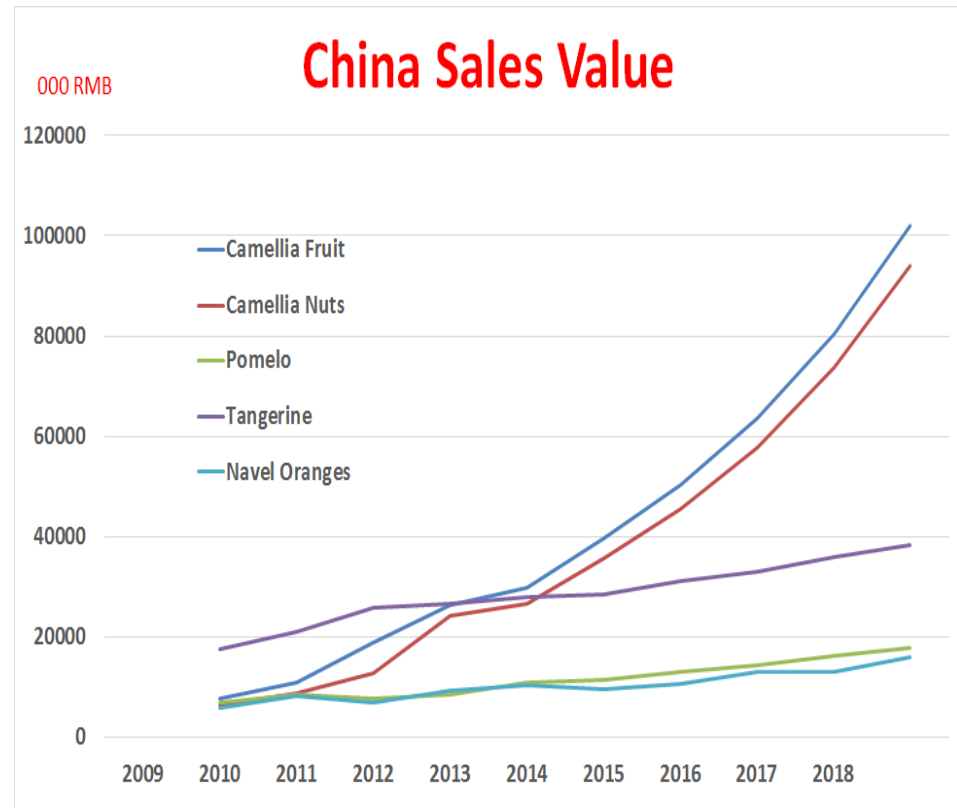
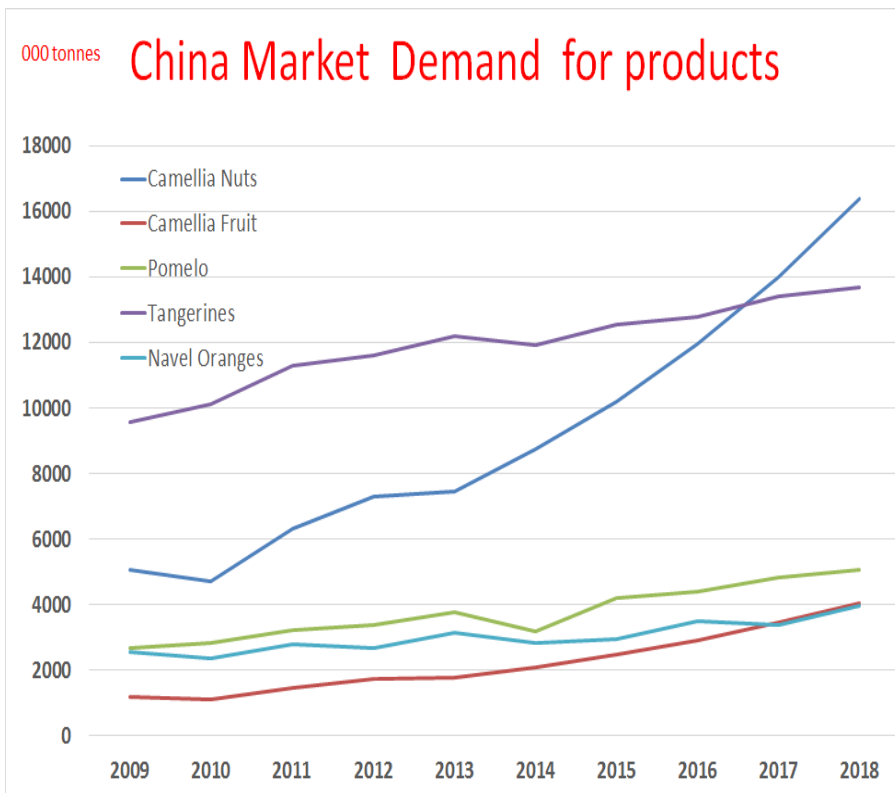
Source: Ipsos report



# Strong and growing product demand in China

❖ Market demand (000tonnes)

❖ Product Sale Value (000RMB)



Source: Ipsos report

Source: Ipsos report

# IPO share offer



# Use of funds and structure

## Use of funds

Use of funds (A\$m)	Minimum	Maximum
Cash on hand	56.8	56.8
Funds raised under the Offer	39	50
Acquisition of plantations	47.2	59.9
Cost of funds raised	6	7.4
Working capital and contingency	42.6	39.5

## The Share capital structure post-Offer

Capital Structure	Minimum	Maximum
Number of Existing Shares	351,000,000	351,000,000
Number of new Shares issued by the Company under this Prospectus	39,000,000	50,000,000
Total Number of Shares on Issue at Completion of the Offer	390,000,000	401,000,000
Offer Price per Share	\$1.00	\$1.00
Market Capitalisation at the Offer Price	\$390,000,000	\$401,000,000



# Timeline and advisory team

Indicative timeline	
Opening date	30 June 2015
Expected Closing date	7 August 2015
Securities issued and allotted	10 August 2015
Shares expected to commence trading	24 August 2015

Advisory team	
Lead Manager	Paradigm Securities Limited
Corporate Advisor	Austra Capital
Legal Advisor	Piper Alderman
Investigating Accountant	PKF Corporate Finance (NSW) Pty Ltd

# ASX-listed peer comparison

Company	ASX	Product	Market Capitalisation A\$m*	Est. PE Ratio*	EPS* (A\$/share)	DPS* (A\$/share)	Div Yield*
<b>Dongfang Modern Agriculture</b>	<b>(DFM)</b>	<b>citrus fruits</b>	<b>401</b>	<b>&lt; 5.5</b>	<b>&gt; 0.18</b>	<b>&gt; 0.034</b>	<b>&gt;3.3%</b>
Select Harvest	SHV	almond	784	22.5	0.49	0.24	2.19%
Tassal Group	TGR	salmon	458	9.4	0.33	0.16	5.06%
Huon Aquaculture	HUO	salmon	280	n/a	n/a	-n/a	n/a
Webster	WBA	walnut	408	37.4	0.04	0.03	1.84%
Tandou Limited	TAN	Irrigation	131	57.0	-0.01	0.01	1.50%
Fonterra	FSF	Diary	7000	17.8	0.30	0.16	3.27%
Ruralco Holdings	RHL	agriculture products	275	16.0	0.22	0.24	6.94%
Costa Group Holding( pro-forma 2015)	CGC	Fruits, greenhouse products	703-839	18-22	0.12	n/a	n/a
Weighted average - exclude DFM,CGC, HUO				18.60	0.29	0.16	3.6%

\* Bloomberg data – 29<sup>th</sup> Jun 2015



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