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)

3.1 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.

3.2 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.

3.3 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 raise 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.

5. REVIEW

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.