



Chinese Professional Club of Australia

General advice warning

This advice has been prepared without taking account of your objectives, financial situation or needs and because of that you should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation or needs and, if the advice relates to the acquisition, or possible acquisition of a particular financial product, you should obtain a Product Disclosure Statement relating to the product and consider the PDS before making any decision about whether to acquire the product.

We recommend that you seek advice from Zunzhen Zhang who is an authorised representative of Financial Partnerships.

Outline

- Great Southern the company
- MIS landscape
- Government support / Supply and Demand
- Strategies
- The 2004 project



The Company

The company

- Established in 1987, listed on ASX in 1999
- Specialise in agribusiness investments
 - > Great Southern Plantations 2004 Project
 - > Great Southern Vineyards 2004 Project (now closed)
- Over 55,000 hectares under management
- Over 60 million trees planted
- One of the best performing stocks on the ASX 200

Company key financials

- Market capitalisation in excess of \$600m
- \$72m cash reserves at 31 December 2003
- No debt

The MIS landscape

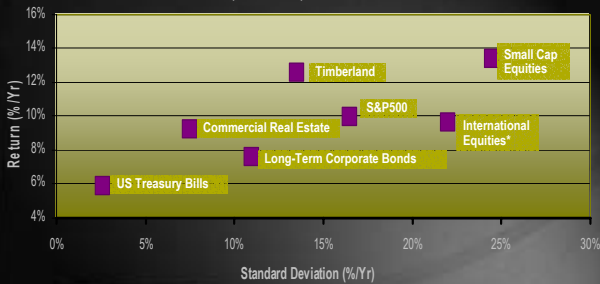
The MIS agribusiness industry

WHERE THE MONEY WENT	
INDUSTRY	MILLIONS OF \$
Eucalypt	208.20
Pine	19.30
Other Trees (Sandalwood, paulownia, acacia)	23.40
Olives	19.90
Almonds	20.50
Grapes and wine	43.50
Cattle	6.00
Other horticulture	4.50
Other	14.50
Total	359.80

Great Southern captured 30% of all funds raised by MIS companies and 52% of the funds raised for Eucalypt projects

Historical returns

Risk & Return of Alternative Investments
(before fees) 1960-2002



Source: Hancock, Timberland returns based on John Hancock Timberland Index

Attraction of Great Southern

- Producing the highest yielding, best quality woodchip available
- Access to ports
- Proximity to Japan and China
- Great Southern has continuity of supply
- Great Southern is whom end buyers want to deal with

Why we emerged as market leader

- Strength of balance sheet
- Best project structure on the market:
 - Simple structure
 - Maximises tax deduction
 - Maximises security

Government Support and Supply & Demand Issues

Government support

- All levels of government firmly committed to plantation industry
- Vision 2020 goal to establish 80,000 hectares of new plantations each year until 2020
- Currently at less than 75% of Vision 2020 target
- Vision 2020 requires MIS support to achieve targets



Product rulings

- 100% deductible current ruling is PR2004/5
- Product rulings provide tax certainty and has legitimised the industry
- ATO product ruling system is working
- Favours products with a track record

Hardwood woodchip demand

- Woodchip demand from Asia is forecast to grow at over 4% pa
- Driven by increased literacy in developing countries and population growth
- No substitute product for high grade paper

Attraction of Australia

- Fibre quality - uniform, high yielding
- Strong customer relations
- Increasing availability of supplies from Australia
- Long term reliability & political stability
- Reduced harvesting and chipping costs ie. location

Plantation Tour Video

Play a 10 minute video



Tax planning strategies

- Income tax planning
- Superannuation surcharge planning
- Capital gains tax planning

Income tax planning

Objective:

- Reduce tax payable at the individual's highest marginal tax rate
- No nasty surprises !

Income tax planning

	Unplanned	Planned
Salary	\$72,000	\$72,000
GSP investment (3 woodlots)		\$ 9,000
Taxable income	\$72,000	\$63,000
Tax on income	\$21,727	\$17,362
After tax position	\$50,273	\$54,638
INITIAL TAX SAVING		\$ 4,365

This investment is able to be financed - 100% of the investment cost (\$9,000 plus GST) with no interest and no repayments required until July 2004 on a 12 month interest free basis.

Income tax planning

BENEFITS

- Reduction in tax payable
- Medium term investment created
- Investment in a new asset class (diversification)

Superannuation surcharge planning

Objective

- Reduce the Adjusted Taxable Income to eliminate or reduce the superannuation surcharge
- Maximize the after-tax investment of superannuation contributions

Superannuation surcharge planning

	\$115,000 package	
Where the money goes	Unplanned	Planned
GSP investment (7 woodlots)		\$ 21,000
Superannuation (net)	\$ 10,575	\$ 12,750
Net income (after tax) marginal tax rate	\$ 64,693	\$ 53,878
Tax Component		
PAYG tax	\$ 35,307	\$ 25,122
Super surcharge 14.5%	\$ 2,175	
Super contribution 15%	\$ 2,250	\$ 2,250
TOTAL	\$115,000	\$115,000

Superannuation surcharge planning

BENEFITS

- Diversification of investments
- Eliminate super surcharge
- Reduction in tax payable
- May provide earlier access to funds than super
- Harvest proceeds only taxed in year received

Capital gains tax planning

Objective

- Reduction or elimination of capital gains tax
- Manage cash flow or funding issues due to capital gain realisation

Capital gains tax planning

Possible solutions	Issues
<ul style="list-style-type: none"> • Defer sale of investment • Realise losses to offset taxable gain, or • Great Southern investment 	<ul style="list-style-type: none"> • Now may be the best time to sell • May be worst time to sell • Solves capital gain and enhances portfolio

Capital gains tax planning

Position summary	Unplanned	Planned
Gross salary	\$ 65,000	\$ 65,000
Capital Gain	\$ 42,000	\$ 42,000
	\$107,000	\$107,000
Tax summary		
Salary	\$ 65,000	\$ 65,000
Capital gain (50% taxable)	\$ 21,000	\$ 21,000
GSP investment (7 woodlots)		\$ 21,000
Taxable income	\$ 86,000	\$ 65,000
Tax on income	\$ 28,517	\$ 18,332
After tax position	\$ 78,483	\$ 88,668
CAPITAL GAINS TAX SAVING		\$ 10,185

Capital gains tax planning

BENEFITS

- Eliminates capital gains tax liability
- Improvement in cash flow positioning
- Harvest proceeds in 10 years
- Investment in Great Southern project
- 100% Great Southern Finance



Wealth creation strategies

Long term wealth creation considers many lifestyle strategies, including:

- Mortgage debt
- Children's education funding
- Retirement Funding

Mortgage debt

Objectives:

- Reduce mortgage debt quickly
- Reduce the total cost of the mortgage
- Convert non-deductible debt into tax deductible debt
- No increase in regular repayments
- Opportunity to diversify into other investments

Mortgage debt

How to reduce mortgage debt quickly:

- Step 1 Fund Great Southern investment using line of credit
- Step 2 Use tax refund to reduce mortgage
- Step 3 Repeat each year
- Step 4 Interest on LOC tax deductible (use refund to repay mortgage)
- Step 5 Mortgage eliminated
- Step 6 Harvest proceeds repay line of credit

Mortgage debt

Case study

- Rick and Naomi have a combined income of \$90,000 per year. Their home is valued at \$300,000 and they have a \$100,000 mortgage that they expect will be repaid in 15 years. They would like to repay the loan sooner.



Mortgage debt

- Rick and Naomi attach a line of credit facility to the home loan
- Equity in the home funds a GSP investment of four woodlots (\$12,000)
- Investment generates a tax refund of \$5,820 – paid directly into the mortgage

Mortgage debt

- Investment repeated each year until, along with regular mortgage payments, the balance is eliminated.
- Harvest proceeds used to repay line of credit balance
- Rick & Naomi's mortgage repaid after 8 years (interest tax deductible)
- Line of credit reduced from year 10

Education funding

Objectives:

- Implement a long term investment strategy to provide funding for your child's education in a tax efficient manner

Education funding

The expense:

Kindergarten to year 6	\$ 94,636
Years 7 to 12 *	\$157,728
University, 4 year science	\$254,964
Total Cost	\$507,328

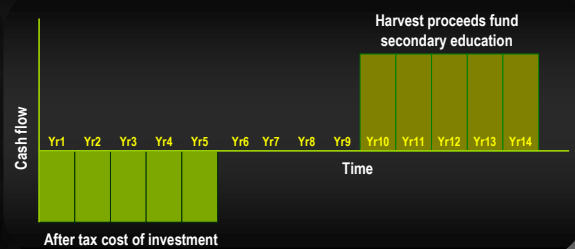
*includes fees, books, lunches, excursions, clothing

Source: Sun Herald 13/07/2003

Education funding strategy

- Ten years from the start of secondary school
- Invest in Great Southern 2003 project
- Harvest proceeds received in 10 years, when parents need them
- Tax effective education fund created
- Peace of mind funds are in place
- No temptation to use funds for other purposes

Education funding



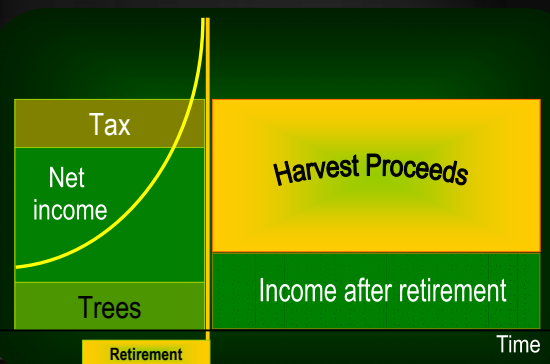
Annual GSP investments for five years will ensure the receipt of harvest proceeds coincide with the commencement of a current 3 year olds secondary education.

Retirement Planning

Objectives:

- Implement a tax-efficient investment that enhances the retirement strategy and complements superannuation.

Retirement planning



Retirement Planning

BENEFITS

- Complementary tax-efficient retirement funding
- Alternative source of income during retirement
- Potential ability to access investment prior to retirement
- Potential to reduce or eliminate Super Surcharge, thereby increasing value of superannuation and overall retirement strategy.
- The tax deduction can be used for other investments eg. topping up Superannuation
- Introduction of another asset class, improving and increasing portfolio diversification

Wealth creation

Summary

- Use Great Southern to provide solutions to implement long term wealth creation strategies, including:
 - Eliminate high interest debts
 - Reduce / eliminate mortgage debt
 - Fund major expenses, eg holidays
 - Alternative source of retirement funding
 - Create an investment that will provide sound returns



Project structure

- Low entry point
- Up front cost
- Maximises tax deduction
- Ten year time frame

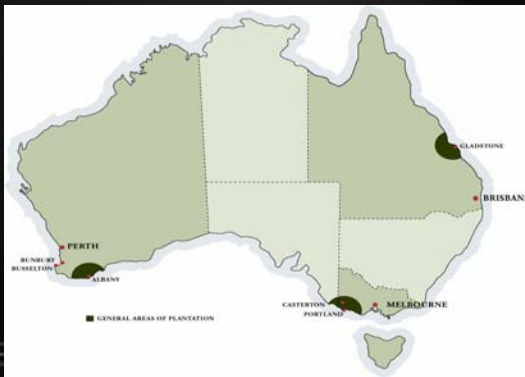
The project

- \$3,300 per woodlot inclusive of GST
- 0.33 hectare per woodlot
- No on-going costs other than insurance
- Choice of compulsory and optional insurance
- Manager to carry all on-going costs
- Second harvest (coppice) option

Great Southern Plantations 2004 project

- Focus on security via
 - 12 month stocking guarantee
 - Diversification of plantations
 - Full insurance
 - Land ownership
 - Long track record in forestry
- FOB sale price for woodchip

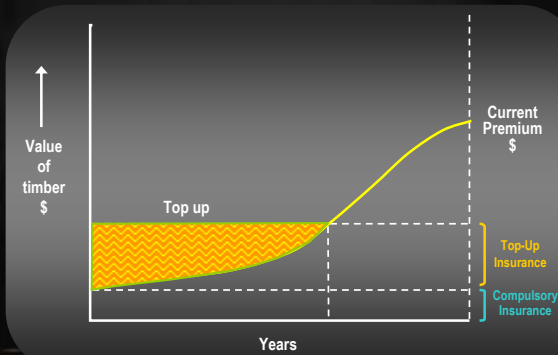
Great Southern operational areas



Insurance

- Compulsory Insurance – covers fire, wind, malicious damage, lightning, hail
- Top-up Insurance (optional) – covers the gap between compulsory insurance and amount invested

Insurance



Finance options

- 12 months interest free
- 3-year P&I @ 10% pa (1 yr interest only opt.)
- 4-year P&I @ 10.5% pa (2 yr interest only opt.)
- 5-year P&I @ 10.5% pa (2 yr interest only opt.)
- 7-year P&I @ 11% pa (3 yr interest only opt.)
- 10-year P&I @ 11.5% pa (3 yr interest only opt.)

All P&I's based on a minimum \$15,000 investment

Sound Financial Advice – Financial Partnerships

We recommend you see Junzhen to discuss how an investment in Great Southern can provide solutions to strategies that best suit your needs.

Thank You
Any Questions?

Disclaimer

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