

## Dongfang Modern NPAT up 8.5%

Leading Chinese agricultural producer, Dongfang Modern Agriculture Holding Group (ASX: DFM), today announced net profit after tax of RMB 467.1 million (A\$93.9 million) for the full year ended 31 December 2017, up 8.5% from RMB 430.7 million (A\$86.6 million) for the previous corresponding year.

Revenue for the year was RMB 1.063 billion (A\$214 million), up 3.7% from RMB 1.025 billion (A\$206 million), reflecting a record harvest and the company's investment in new camellia and navel orange plantations.

Executive Chairman Hongwei Cai commented: "2017 was a record fruit harvest, with substantial increases in camellia seeds and navel oranges from new plantation acquisitions contributing to growth. Camellia prices increased, although the season was patchy and other fruit prices were stable or slightly lower. We maintained gross margins in excess of 45% through tight cost control.

"Our strong cash flow supports our strategy of expansion through acquisitions of underperforming plantations. This enables us to maintain our market-leading position and continue the company's long-term trend of revenue and profit growth. Over time, we will further consolidate recently acquired plantations, increasing productivity and yield."

The Board has reviewed the company results and in light of future growth plans has decided not to declare a dividend for the 2017 financial year. The Board believes that diversification through acquiring an Australian business will bring significant advantages to investors, reducing the seasonality of Dongfang Modern's cash flow and increasing shareholder value. The company is currently in an advanced stage of negotiations with potential targets regarding possible acquisitions in Australia and is aiming to finalise these negotiations soon. In the event the Company enters into a binding acquisition agreement disclosure will be made immediately to the market.

Results summary - full year to 31 December*	2017 (A\$)	2016 (A\$)	2017 (RMB)	2016 (RMB)	% Increase in RMB
Revenue (m)	213.6	206.0	1,062.8	1,025.0	3.7%
Profit after income tax (m)	93.9	86.6	467.1	430.7	8.5%
Basic EPS (cents)	23.2	22.1	116	110	5.4%
Final dividend (cents, unfranked)	0.0	5.0	n/a	n/a	n/a

\* This results announcement is based on the RMB figures and, for the ease of the reader, supplemented by Australian Dollars ("AUD"), all translated at RMB4.97472 : AUD1, the exchange rate on 22 February 2018 as quoted on the [www.oanda.com](http://www.oanda.com).

Further information is included in the group's accounts also lodged on ASX on 28 February 2018.

Executive Chairman Hongwei Cai commented: “We intend to increase shareholder value by broadening our revenue base into high margin business markets in Australia that complement our agricultural business in China. Our plan is to enter markets with strong growth potential, leveraging our supply chain knowledge of Chinese markets to accelerate growth.”

During 2017 Dongfang acquired a 380-hectare camellia plantation and a 544-hectare navel orange plantation in Xingguo county, near the Ganzhou City district. Dongfang controls 21 plantations covering 10,763 hectares in China's premier fruit growing region, the Jiangxi Province.

### **Balance sheet and cash flow**

Following the conclusion of the group's harvests in November and December 2017, sale of produce has been completed. Dongfang has long-standing relationships with its customers, which receive up to 60-day trading terms. As at the result announcement date, the majority of customer payments have already been received.

Dongfang's business is highly cash generative, and the group's balance sheet remains strong. On 2 January 2018 the company drew down a term loan facility equal to approximately A\$50 million, providing the opportunity to acquire businesses with significant growth potential.

### **Outlook**

Dongfang remains focused on achieving yield and productivity improvements at its plantations in China, maintaining its citrus market leading share, and growth through acquisition. The company is currently in the advanced stages of negotiations to acquire an Australian business, although at present no binding agreements are in place.

### **For further information, please contact:**

*In Australia:*

Philip Killen, Company Secretary +61 408 609 916

*Media enquiries:*

Ashley Rambukwella, FCR +61 407 231 282  
and [a.rambukwella@fcr.com.au](mailto:a.rambukwella@fcr.com.au)

*International:*

Charles So, CEO +61 449 895 835  
[c.so@dfm.net.au](mailto:c.so@dfm.net.au)

### **About Dongfang Modern**

Dongfang Modern is a leading agricultural producer operating in the world's largest market, China. It offers Australian investors a unique exposure to China's agribusiness sector.

In 2017, the company sold more than 237,000 tonnes of fruit and camellia products, generating revenue of A\$213.6 million, net profit of A\$93.9 million, and operating margins in excess of 45%. The group's plantations today span more than 10,700 hectares.

Formed in 2009, the company has grown each year, benefitting from China's favourable taxation incentives for agribusiness companies.

Dongfang Modern Agriculture Holding Group Limited  
ACN 604 659 270  
AND ITS CONTROLLED ENTITIES

Appendix 4E

PRELIMINARY FINAL REPORT FOR  
THE YEAR ENDED 31 DECEMBER 2017

**1. Details of the Reporting Period**

Current period: Year ended 31 December 2017

Previous period: Year ended 31 December 2016

**2. Results for Announcement to the Market**

The Group operates mainly in the People's Republic of China (the "PRC") and most of its transactions are denominated in Renminbi ("RMB"). The results announcement is based on the RMB figures and, for the ease of reader, supplemented by Australian Dollars ("AUD") translated at RMB4.97472 : AUD1, the exchange rate on 22 February 2018 as quoted on the [www.oanda.com](http://www.oanda.com).

		% Change		RMB'000	AUD'000
2.1	Revenue from ordinary activities	up	3.69%	to 1,062,767	213,634
2.2	Profit from ordinary activities after tax attributable to members	up	8.47%	to 467,139	93,904
2.3	Net profit for the year attributable to members	up	8.47%	to 467,139	93,904

2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends:

Nil

2.5 The record date for determining entitlements to the dividends (if any):

N/A

2.6 Revenue increased by 3.69% as the Group acquired more plantations bases during the year hence increased the volume of harvest.

Profit increased by 8.47% due to the growth of revenue. The ratio is more than the increment in revenue as there was RMB10,500,000 withholding tax resulting from declaring dividends in previous year.

### 3. Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 RMB '000	2016 RMB '000
Revenue	1,062,767	1,024,960
Cost of sales	(582,387)	(572,099)
Gross profit	480,380	452,861
Other income	1,253	1,231
Administrative expenses	(14,482)	(13,201)
	<b>467,151</b>	<b>440,891</b>
Finance costs	(12)	(23)
<b>Profit before income tax</b>	<b>467,139</b>	<b>440,868</b>
Income tax expense	-	(10,200)
<b>Profit for the year</b>	<b>467,139</b>	<b>430,668</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	(10,247)	7,389
<b>Other comprehensive income for the year, net of tax</b>	<b>(10,247)</b>	<b>7,389</b>
<b>Total comprehensive income for the period</b>	<b>456,892</b>	<b>438,057</b>
<b>Earnings per share</b>		
Basic	RMB1.16	RMB1.10
Diluted	RMB1.16	RMB1.10

## 4. Consolidated Statement of Financial Position

As at 31 December 2017

	31-Dec-17 RMB '000	31-Dec-16 RMB '000
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	382,682	376,254
Trade and other receivables	540,920	462,587
Deferred expenses	103,528	112,335
Current assets	1,027,130	951,176
<b>Non-current</b>		
Property, plant and equipment	1,208	1,941
Bearer plants	1,631,268	1,212,864
Deferred expenses	103,458	22,273
Non-current assets	1,735,934	1,237,078
<b>Total assets</b>	<b>2,763,064</b>	<b>2,188,254</b>

<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	262,206	152,630
Amount due to a shareholder	68,535	57,451
Current portion of obligation under finance lease	82	77
Income tax payable	10,200	10,200
Current liabilities	341,023	220,358
<b>Non-current</b>		
Obligation under finance lease	335	411
Non-current liabilities	335	411
<b>Total liabilities</b>	<b>341,358</b>	<b>220,769</b>
<b>Net assets</b>	<b>2,421,706</b>	<b>1,967,485</b>
<b>Equity</b>		
Share capital	309,708	208,502
Reserves	66,258	76,506
Retained earnings	2,045,740	1,682,477
<b>Total equity</b>	<b>2,421,706</b>	<b>1,967,485</b>

## 5. Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 RMB '000	2016 RMB '000
<b>Operating activities</b>			
Profit before income tax		467,139	440,868
Depreciation and amortisation		67,941	36,650
Interest expense		12	23
Interest income		(1,034)	(1,094)
Operating profit before changes in working capital		534,058	476,447
Deferred expense		(72,378)	70,491
Trade and other receivables		(78,333)	(468,129)
Trade and other payables		4,761	(1,208)
Cash generated from operations		388,108	77,601
Interest received		1,034	1,094
Net cash from operating activities		389,142	78,695
<b>Investing activities</b>			
Payment for purchase of harvest plants and property, plant and equipment		(388,616)	(343,307)
Net cash used in investing activities		(388,616)	(343,307)
<b>Financing activities</b>			
Advance from a shareholder		9,188	3,527
Dividend paid		(1,669)	(450)
Finance lease payments-		(90)	(96)
Net cash from financing activities		7,429	2,981
<b>Net change in cash and cash equivalents</b>		<b>7,955</b>	<b>(261,631)</b>
Cash and cash equivalents, beginning of year		376,254	632,190
Exchange differences on cash and cash equivalents		(1,527)	5,695
<b>Cash and cash equivalents, end of year</b>		<b>382,682</b>	<b>376,254</b>

## 6. Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital RMB 000's	Statutory reserve RMB 000's	Capital reserve RMB 000's	Exchange reserve RMB 000's	Retained earnings RMB 000's	Total equity RMB 000's
<b>Balance at 1 January 2016</b>	172,042	20,321	40,642	8,154	1,342,643	1,583,802
Dividend	-	-	-	-	(90,834)	(90,834)
Shares issued under dividend reinvestment plan	36,460	-	-	-	-	36,460
Transactions with owners	36,460	-	-	-	(90,834)	(54,374)
Profit for the year	-	-	-	-	430,668	430,668
Other comprehensive income	-	-	-	7,389	-	7,389
Total comprehensive income for the year	-	-	-	7,389	430,668	438,057
<b>Balance at 31 December 2016</b>	<b>208,502</b>	<b>20,321</b>	<b>40,642</b>	<b>15,543</b>	<b>1,682,477</b>	<b>1,967,485</b>
Dividend	-	-	-	-	(103,877)	(103,877)
Shares issued under dividend reinvestment plan	101,206	-	-	-	-	101,206
Transactions with owners	101,206	-	-	-	(103,877)	(2,671)
Profit for the year	-	-	-	-	467,139	467,139
Other comprehensive income	-	-	-	(10,247)	-	(10,247)
Total comprehensive income for the year	-	-	-	(10,247)	467,139	456,892
<b>Balance at 31 December 2017</b>	<b>309,708</b>	<b>20,321</b>	<b>40,642</b>	<b>5,296</b>	<b>2,045,739</b>	<b>2,421,706</b>

**7. Details of Dividend Reinvestment Plans**

N/A

**8. Net Tangible Assets**

	31/12/2017		31/12/2016	
	RMB	AUD	RMB	AUD
Net tangible asset backing per ordinary share	5.99	1.21	4.99	1.00

**9. Details of entities over which control has been gained or lost during the year**

Nil.

**10. Details of Associates and Joint Venture**

N/A

**11. Other Significant Information**

N/A

**12. Foreign Entity Accounting Standards**

N/A

**13. Commentary on Results**

Refer to the results announcement.

**14. Statement on whether the report is based on audited financial accounts**

The report (Appendix 4E) is based on financial accounts that have not yet been audited and are likely to obtain an unmodified opinion.

Yours faithfully,



Hongwei Cai  
Executive Chairman  
28 Feb 2018