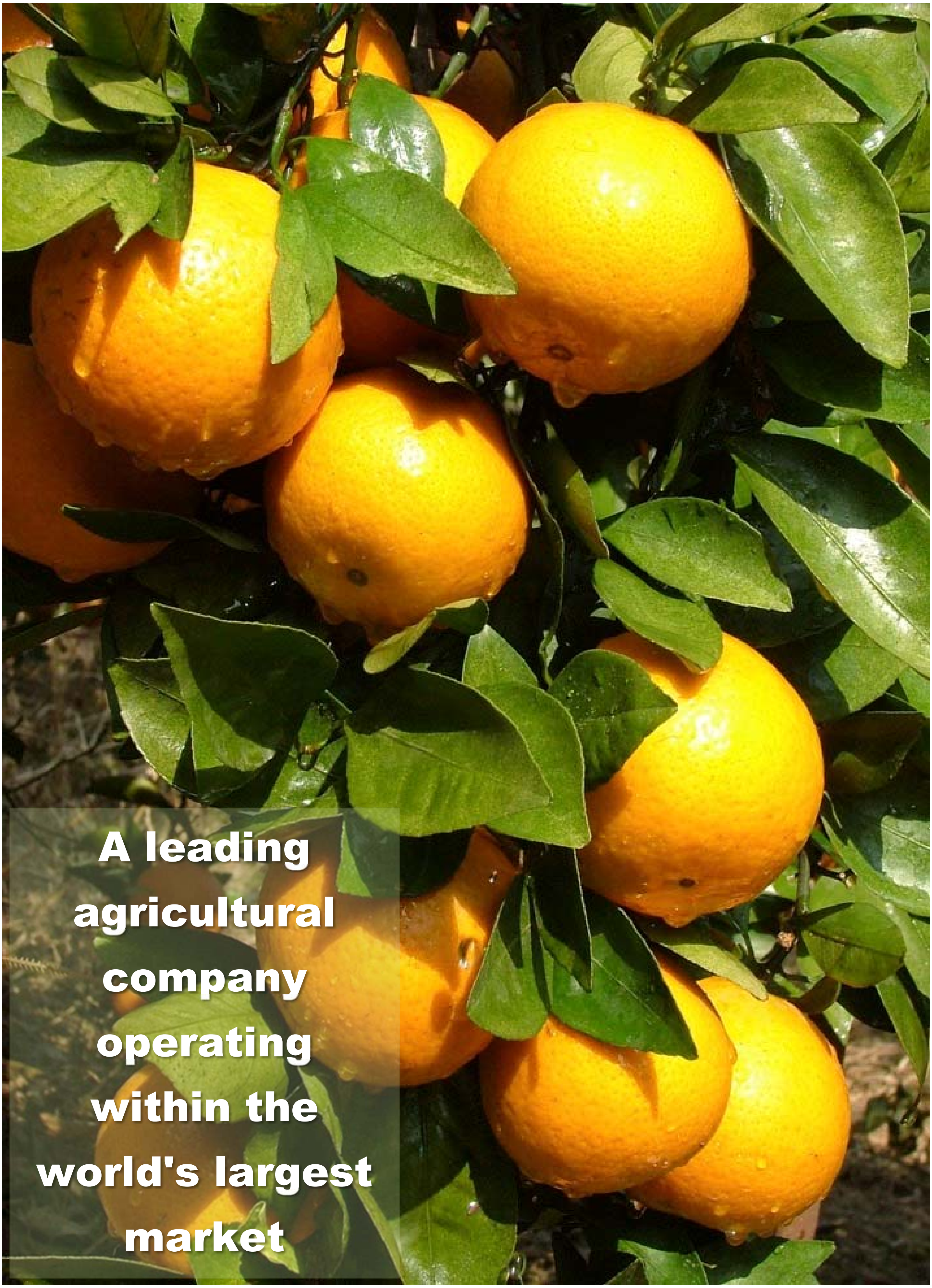
DONGFANG MODERN AGRICULTURE HOLDING GROUP LIMITED

Annual Report 2017


A leading agricultural company operating within the world's largest market

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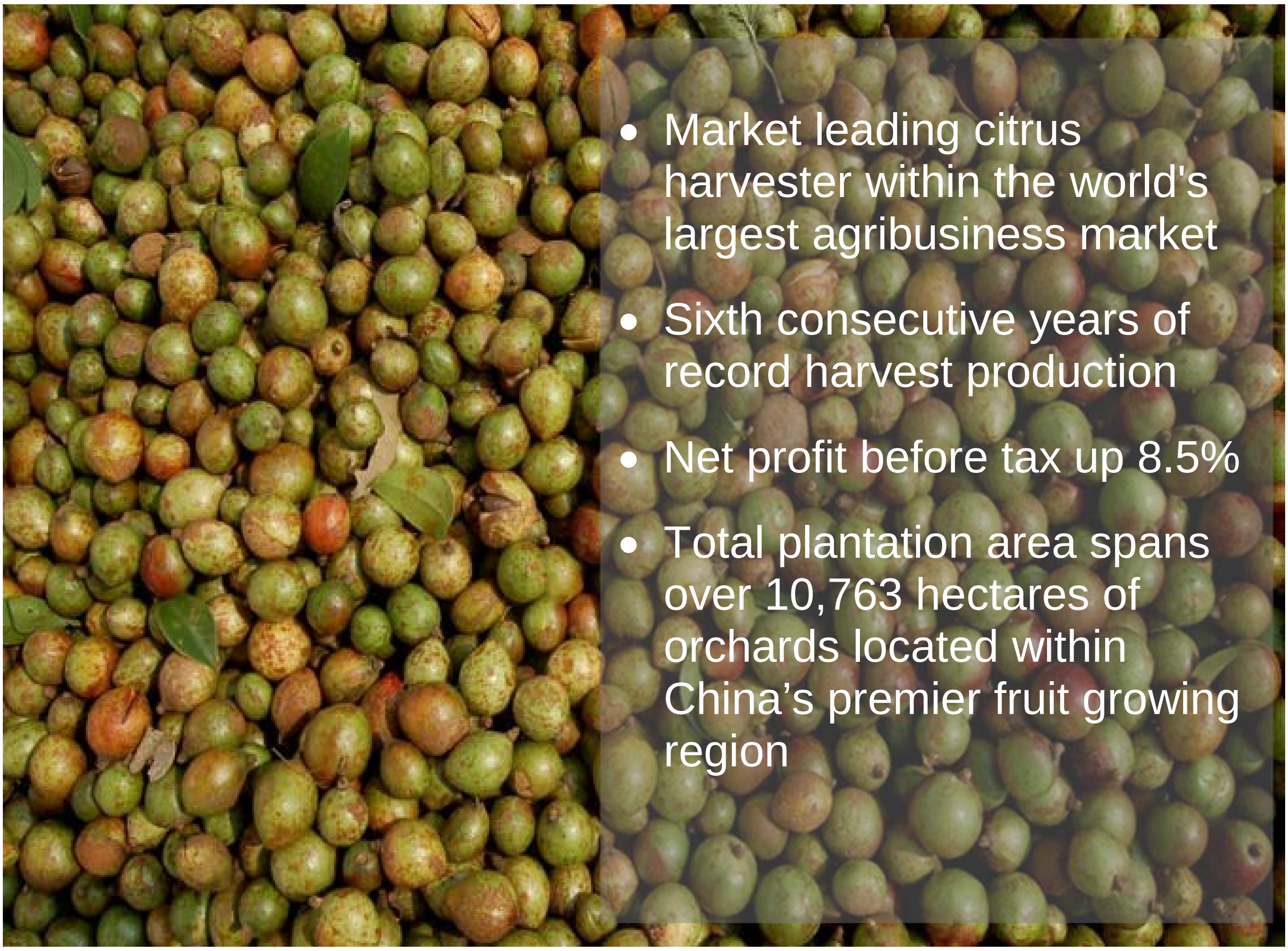
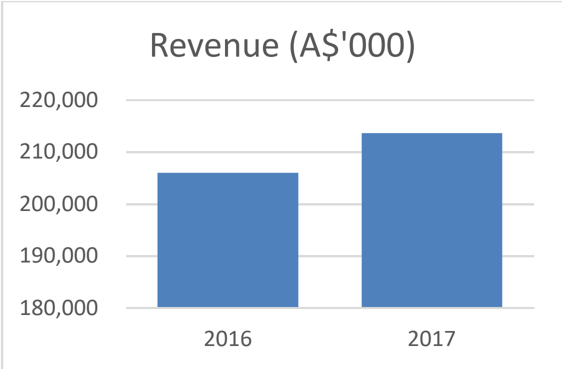
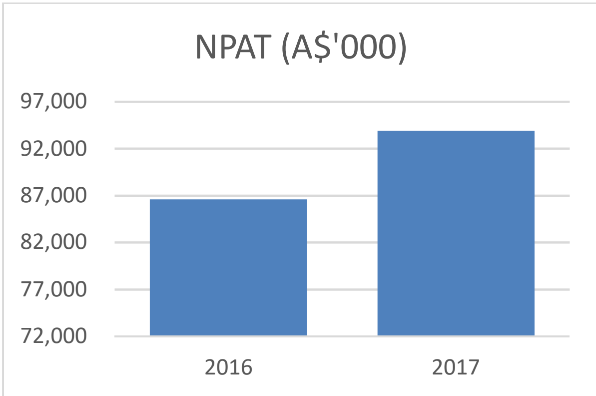
KEY HIGHLIGHTS

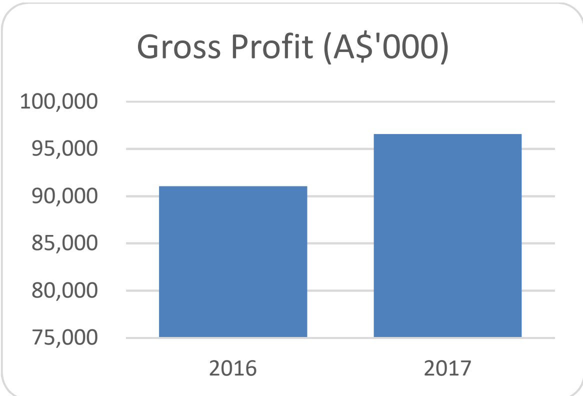




REVENUES
UP 3.7%

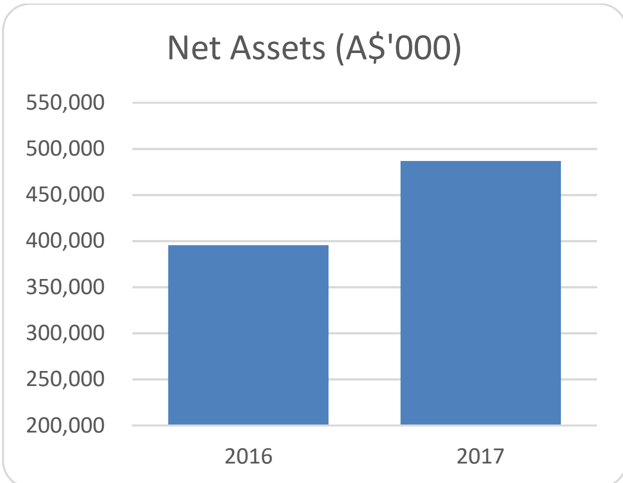
NPAT
UP 8.5%





GROSS PROFIT
UP 6.1%

NET ASSETS
UP 23.1%



EXECUTIVE CHAIRMAN'S REVIEW

I’m pleased to present Dongfang Modern's annual report to shareholders for the 2017 year.

This was a year in which we consolidated our position as a leader in the Chinese fruit harvesting market with 10,763 hectares of plantations. During the year we continued our strategy of acquiring plantations in China, adding a 380-hectare camellia plantation and a 544-hectare navel orange plantation in Xingguo County. These mature, fruit-bearing plantations are located near Ganzhou City, China’s premier fruit growing region. By applying modern agricultural processes and technologies, we increased our plantations’ productivity, achieving yield improvements in the region over the first three years through professional management.

Results

Your company delivered another record result, reporting an 8.5% increase in net profit to $93.9 million compared to $86.6 million in 2016. Earnings per share increased 5.5% to 23.3 cents from 22.1 cents in 2016.

Revenue increased to $213.6 million, up 3.7% from $206 million. We harvested 265,496 tonnes in 2017, up 6.6% compared to the previous year of 249,070 tonnes. Through productivity improvements and tight cost control, we maintained gross margins in excess of 45%.

Dividend

In light of current diversification and expansion opportunities, the Board has decided to invest capital for future growth rather than declare a dividend for the 2017 financial year.

Balance sheet and cash flow

Dongfang's business is highly cash generative, and the group has a strong balance sheet.

At 31 December 2017, Dongfang Modern held net assets of AUD 487 million, up 23% compared to AUD 395 million at 31 December 2016. We are well positioned to fund further expansion and growth initiatives over the course of the next few years.

On 2 January 2018 Dongfang drew down a term loan facility equal to approximately A$50 million, providing the opportunity to acquire businesses in Australia with significant growth potential.

Our strategy

Since our formation in 2005, we have been very active in identifying and seizing opportunities. We were an early acquirer of citrus plantations and have taken advantage of generous Government incentives and tax breaks to continue expansion within the domestic agribusiness sector.

We identified two key trends that would further benefit our company. The first trend was that growing personal income levels and associated rising living standards were leading to improved diets as Chinese consumers increasingly sought out better quality and a more diverse range of food. The second was that fruit consumption as a proportion of dietary intake was growing faster than grain, reflecting the trend of Chinese consumers becoming more health and nutrition conscious.

The demand for fruit produce has continued to grow in China, buoyed by rising consumer spending, improved living standards and increased demand for higher quality, more nutritious food. This coincided with our building production capacity through acquisitions and benefiting from the use of modern processes and technologies in a traditionally rural industry.

Our business is simple and prosperous. We harvest our fresh produce from multiple plantations spanning 10,763 hectares, all located within China's premier fruit growing region, the Jiangxi Province. These products are then sold primarily to wholesale customers for delivery to tier-1 cities throughout China, using our established supply chain and logistical channels. We have continued to grow our business; acquiring and leasing plantations, and implementing improvements to expand our production and product mix. We look forward to continuing this growth for years to come.

Dongfang is the leading harvester of premium quality, fresh citrus and camellia products in China, the world's largest consumer market. It is the Board's belief that the Australian investor public is yet to appreciate the possible investment returns available through direct exposure to companies operating in the Chinese market.

It is our view that the fundamentals of the company have never been stronger, and we are well positioned for future growth. We are in advanced negotiations with potential acquisition targets in Australia and hope to complete negotiations soon. This diversification will, we believe, benefit shareholders through reducing cash flow seasonality, and further demonstrate our commitment to building a modern, dynamic business.

On behalf of the Board, I would like to thank our management team, employees and contractors whose efforts and hard work contribute to the company's success. I would also like to thank shareholders of the company for your ongoing support and look forward to updating you on our progress during the coming year.

Hongwei Cai
Executive Chairman
29 March 2018

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Production	Revenue	Net profit after tax	Reported EPS
↑ 6.6%	↑ 3.7%	↑ 8.5%	↑5.5%
~265,496 tonnes	~AUD 214 Million	~AUD 94 Million	23 cents per share

BUSINESS OVERVIEW

The past year has seen the Group achieve several significant milestones as we pursue sustainable growth through production of fruit products in China.

From an operational perspective, Dongfang Modern had its best ever harvest result, coming on the back of recent acquisitions of new plantations and improving yields for our primary products. Our strategy of applying modern cultivation and tree husbandry expertise to the predominantly traditional Chinese citrus sector, whilst leveraging off our established supply chain and logistics network to consumers in tier-1 cities, continues to deliver positive results. This has accelerated our path to becoming market leaders, and we are well placed to consolidate and improve this position going forward.

As of 31 December 2017, Dongfang Modern held net assets of AUD 487 million, up 23% compared to AUD 395 million for the previous year. Current assets were AUD 206 million, up 8% on the previous year of AUD 191 million. As such, we are well positioned to fund further expansion and growth initiatives over the course of the next few years.

FINANCIAL PERFORMANCE

	2017		2016	
	RMB '000	AUD'000	RMB '000	AUD'000
Revenue	1,062,767	213,634	1,024,960	206,034
Cost of sales	(582,387)	(117,069)	(572,099)	(115,001)
Gross profit	480,380	96,565	452,861	91,033
Other income	1,253	252	1,231	247
Administrative expenses	(14,482)	(2,911)	(13,201)	(2,654)
	467,151	**93,906**	**440,891**	**88,626**
Finance costs	(12)	(2)	(23)	(5)
Profit before income tax	**467,139**	**93,904**	**440,868**	**88,621**
Income tax expense	-	-	(10,200)	(2,050)
Profit for the year	**467,139**	**93,904**	**430,668**	**86,571**
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translating foreign operations	(10,961)	(2,203)	7,389	1,485
Other comprehensive income for the year, net of tax	(10,961)	(2,203)	7,389	1,485
Total comprehensive income for the period	**456,178**	**91,701**	**438,057**	**88,056**
Earnings per share				
Basic	**RMB1.16**	**AUD0.23**	**RMB1.10**	**AUD0.22**

Since the Chinese government's introduction of Article 27 of the New Tax Law at the start of 2008, our products have been exempted from China Enterprise Income Tax, VAT and business tax. In 2016 the company paid Australian withholding tax of AUD2 million resulting from the declaration of dividends. In 2017 the company's dividend reinvestment plan (DRP) was strongly supported by shareholders with 98% electing to re-invest their dividend in preference to being paid in cash, and no Australian tax was payable for the year.

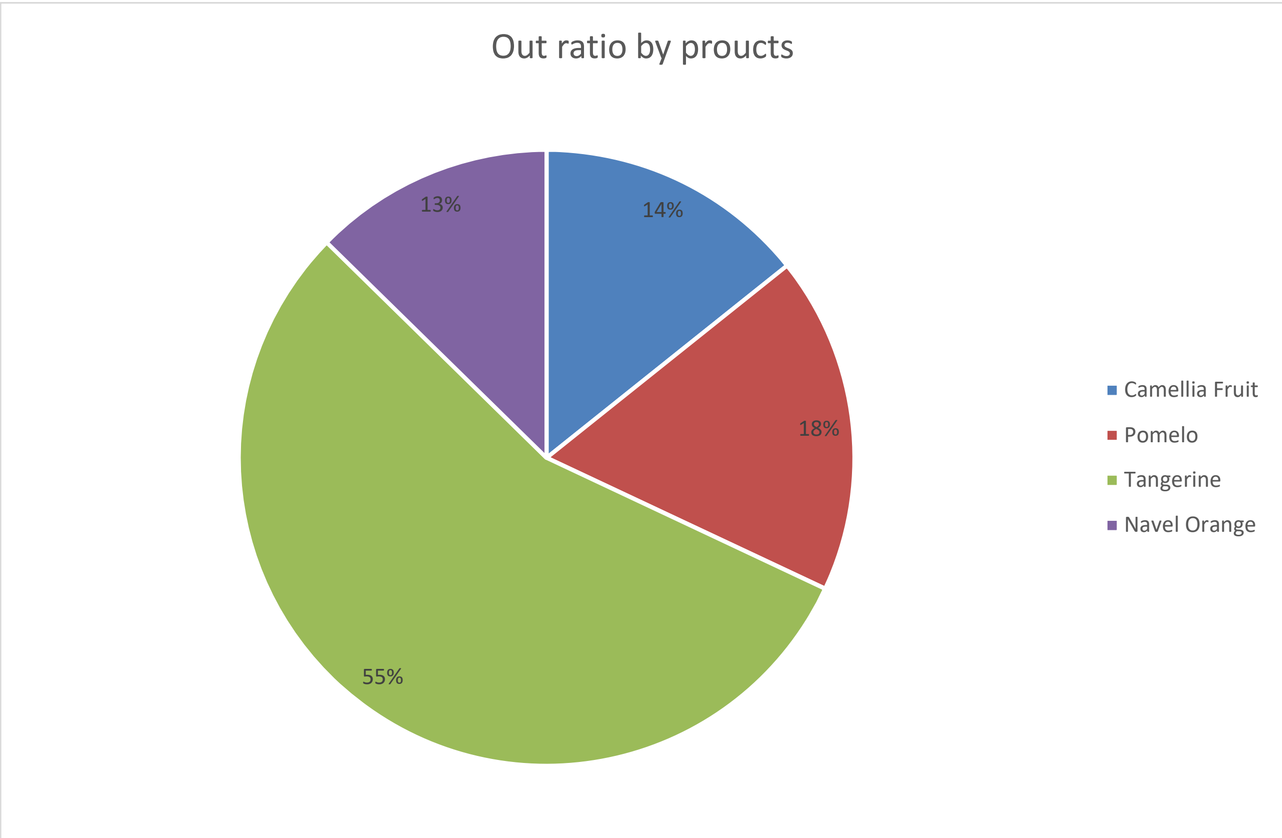
OPERATIONS

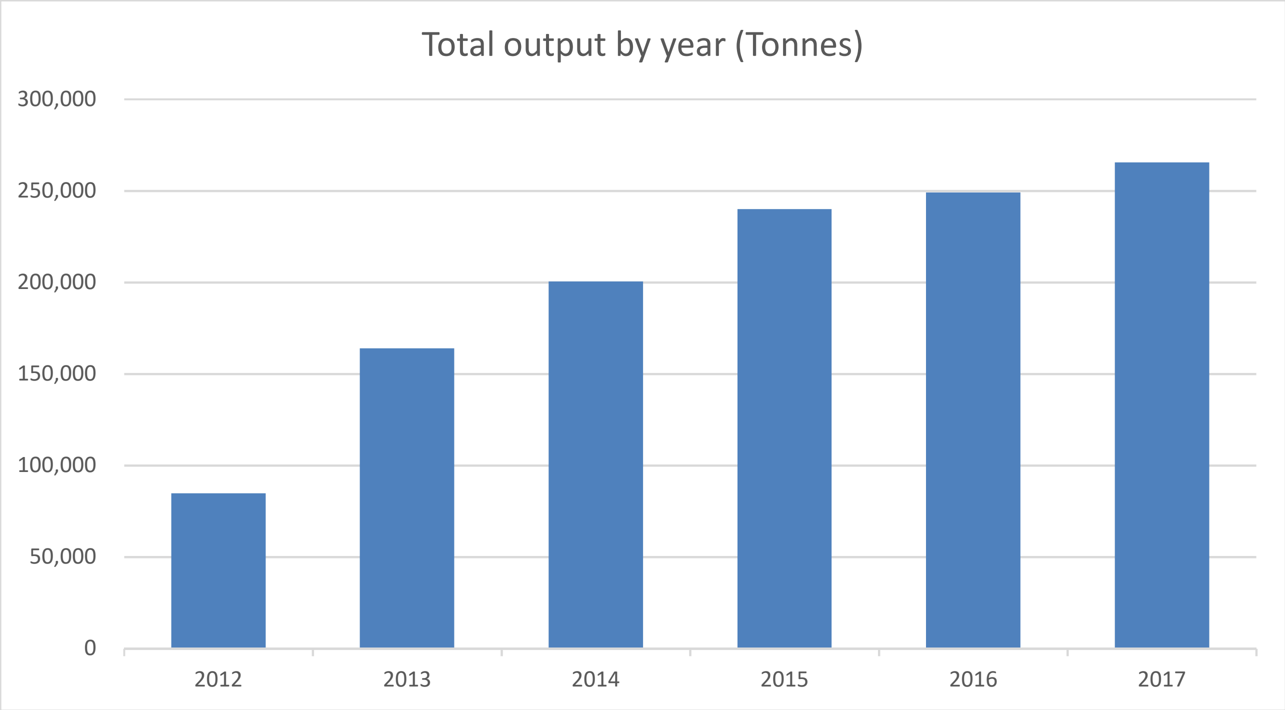
At the end of 2017, we controlled 21 plantations, spanning 10,763 hectares, all within China's premier citrus growing region, the Ganzhou City district within Jiangxi Province. The region is ideal for citrus fruits, enjoying significant amounts of sunshine, good levels of rainfall (about 1,500mm per annum) and a long, frost-free growing season.

Our tremendous growth is reflected by the fact that in 2012 we held only 9 plantations covering approximately 4,500 hectares.

Demand for citrus and camellia fruits continued to increase in China, accounting for about 13% of total fruit production in 2017, and among the fastest growing fruit segments. We expect demand will continue to grow at a compound annual growth rate (CAGR) of about 10.2% by value, and 4.9% by volume, through to 2020, supported by favorable People's Republic of China government initiatives.

In 2017, we harvested 265,496 tons of tangerines, oranges, pomelos and camellia fruit products, a 6.6% increase compared to 2016 production of 249,070 tons. Our business is seasonal, with harvests taking place in the final months of the calendar year.

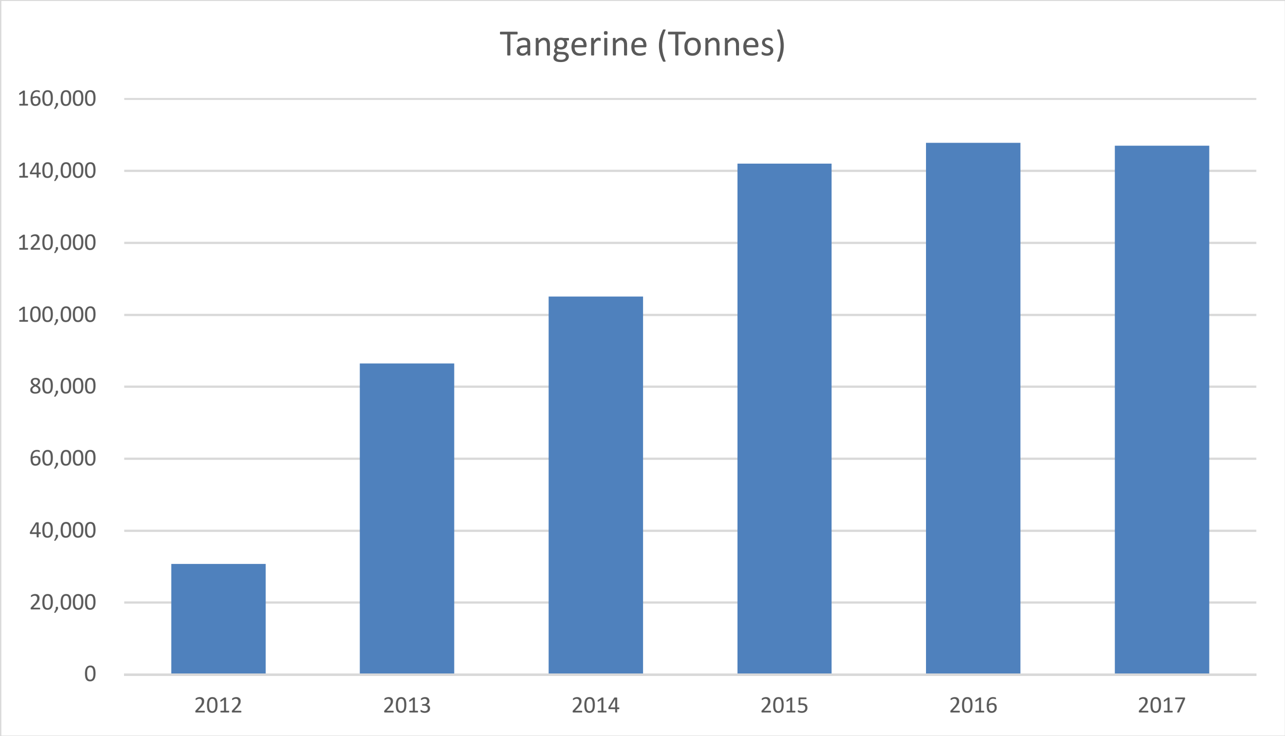




Tangerines

During the three-month harvest in August, September and October 2017, we produced 146,945 tons of tangerines, 1% less than the previous year of 147,781 tons. After a price surge in 2016, unit prices in 2017 were about 8% lower, with customers purchasing a greater proportion of lower priced products without packaging.

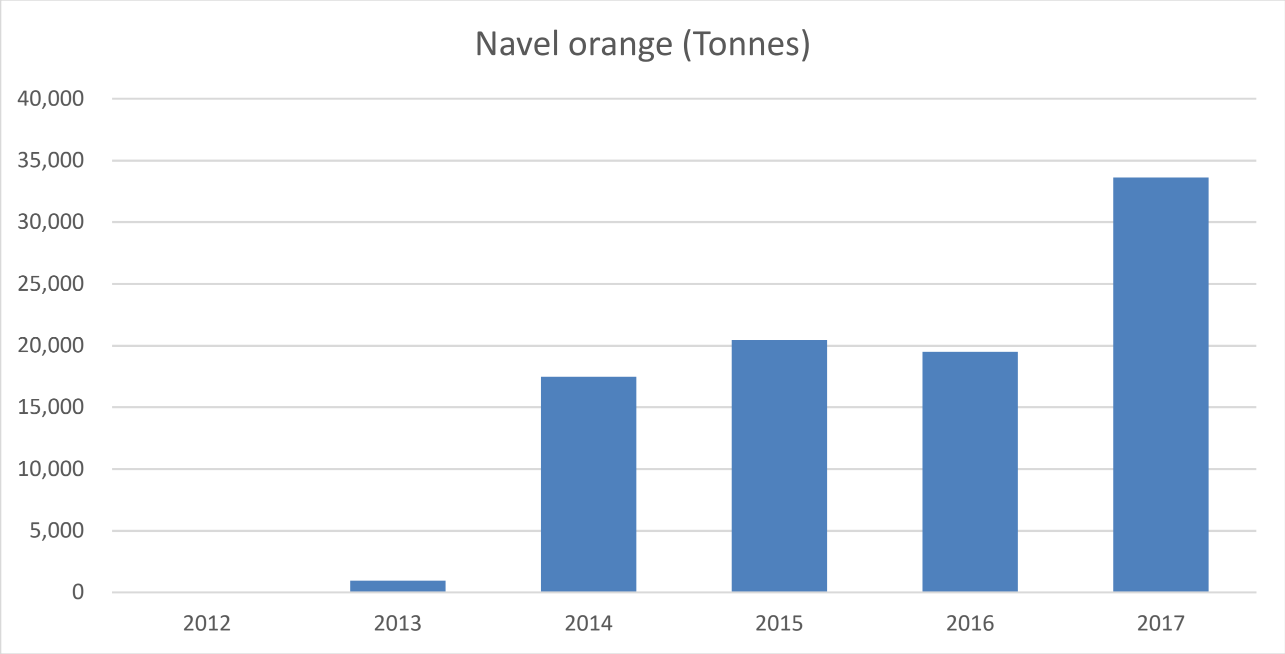
Our tangerines are well known in China for their thin skin, bright colour and sweet flavour, and are sourced primarily from orchards located in Xunwu County, Ganzhou City of Jiangxi Province. Tangerines are Dongfang Modern's primary product, representing approximately 55% of output.



Navel oranges

Navel orange production was a record, although prices were slightly lower in a high-production year for the region. The group's 'Gannan' orange orchards are located in the Special Citrus Zone in Ganzhou City, where a warm, high-rainfall climate and the well-drained hill slopes of the region help produce fragrant, sweet fruit with a high juice content. The Ganzhou region is China's largest navel orange producing area.

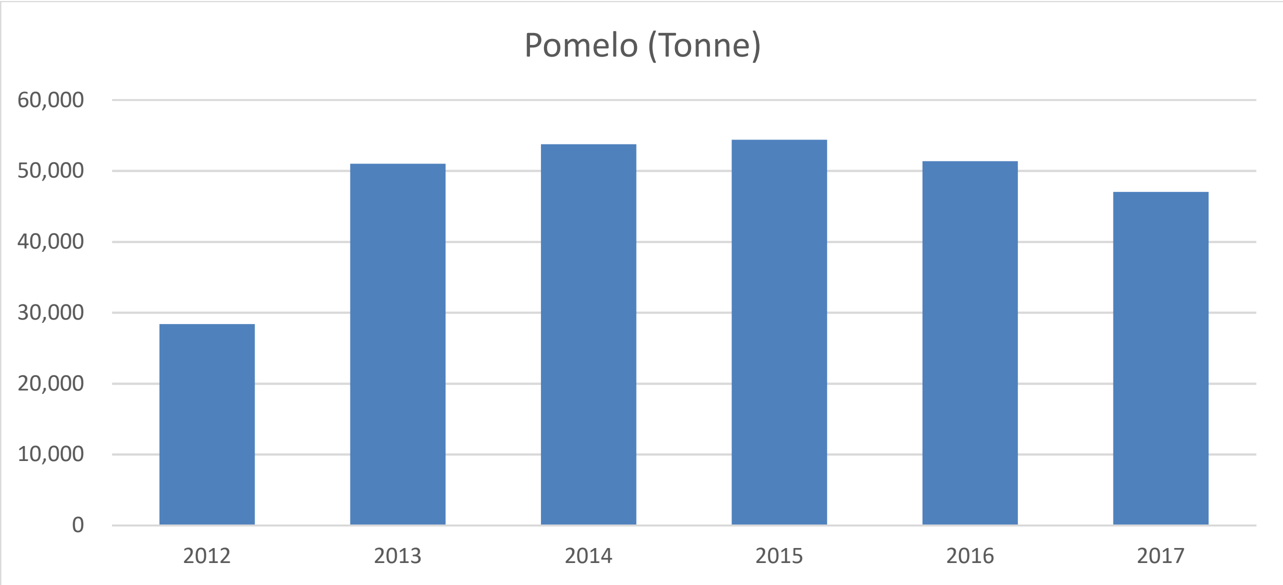
During the harvest, mostly completed in November and December 2017, we produced 33,619 tonnes of navel oranges, up 73% on 19,486 tonnes in 2016. This reflects additional production from the 544-hectare navel orange plantation in Xingguo country acquired in July 2017. Unit prices decreased by 3% to average RMB4.97 per kg in 2017, due to higher volume production requiring negotiation of new distribution agreements.



Pomelos

Our sweet pomelos are sourced from plantations in the Nankang District, south west of Ganzhou, China. These are similar to grapefruit, with white, pink or red flesh.

During the harvest months of September, October and November 2017, 47,040 tonnes of pomelos were harvested, down 8% on 51, 374 in 2016 due to unfavourable weather. We received unit prices of RMB3.1 per kg, down 3.2% on the previous year.



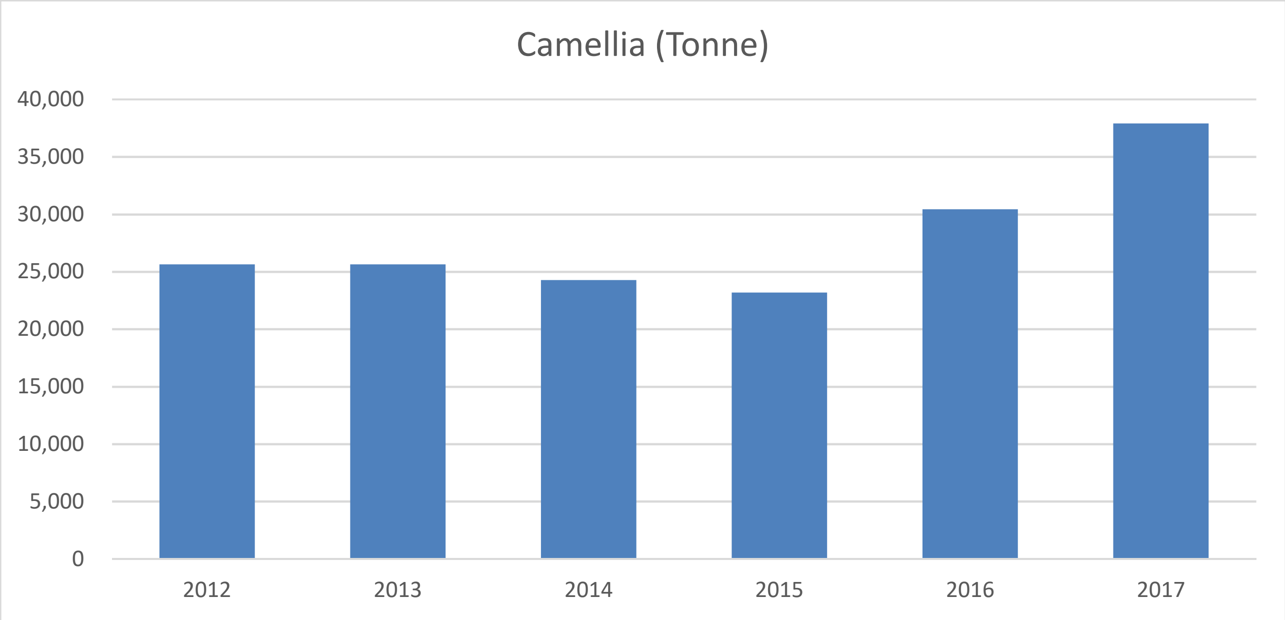
Camellia products

Apart from citrus fruit, Dongfang Modern also harvests camellia fruit from several plantations in the Ganzhou City region including in Xingguo County.

Camellia fruit produces a nut that provides seeds and other useful by-products of significant value to growers and processors. Our camellia seeds are mostly processed into 'heart healthy' cooking oil which has a high percentage of unsaturated fats, providing nutrition benefits to consumers. Chinese consumers often use camellia oil in food preparation – similar to olive oil. Camellia has a much higher smoke point than olive oil and is regarded as premium cooking oil in China.

During the two-month harvest period from October through to November 2017, we produced some 37,893 tonnes of camellia fruit products, up 24.5% from the previous year of 30,428 tons.

In 2017 the group changed its reporting of camellia production to seed volume which provides a more accurate measurement of sales. Using this measure, we produced a record 9,971 tonnes of camellia seed products, up 24% on 8,070 in 2016. The increase reflected yield improvement and additional production from the 380-hectare camellia plantation in Xingguo country acquired in July 2017. Unit prices increased by 4% year-on-year, reflecting increased demand for camellia oil.



We are continuing to assess opportunities for downstream processing of our camellia products that would leverage our existing logistical networks to consumers in tier-1 markets.

OUTLOOK

We believe the outlook for our products remains robust, and we are well positioned to continue to grow through acquisition and improving efficiencies at our existing plantations. We see significant opportunities to expand and look forward to providing strong returns for our shareholders for many years ahead.

As part of that growth strategy, the Company has implemented measures to expand production capacity through increasing plantation yield and efficiency, as well as improving fruit quality. These include:

Strategic acquisitions

We continue to identify and assess the acquisition of additional rural land contracted operation rights. These rights provide us with more control over future plantation products, soil quality, and the infrastructure on sites including irrigation, power and access roads.

These acquisitions will help the Company consolidate its position as the market leading citrus and camellia producing company in China, albeit from a total market share of under 2% today. As such, we still perceive there is enormous scope and opportunity to consolidate the highly fragmented fruit industry and seek to grow to be the number 1 producer in China by market share within the next few years.

The Board is currently focused on increasing shareholder value through broadening Dongfang's revenue base into high margin business markets in Australia that complement the core agricultural business in China. We believe that diversification through acquisition of an Australian business will bring significant advantages to investors, reducing the seasonality of the company's cash flow. The Group remains in advanced negotiations with potential Australian targets. In the event the Group enters into a binding acquisition agreement disclosure will be made immediately to the market.

Better quality products

We continuously seek to improve the quality of our fruit products through better tree maintenance, selecting breeding varieties of fruit trees, improving soil properties and the implementation of camellia organic cultivation. Higher quality fruit products command better pricing.

More efficient production practices

Dongfang Modern is committed to achieving increased efficiencies and cost reductions at all our plantations, thereby delivering higher margins. As we expand, economies of scale effects should gradually become apparent with the increase in the area of plantation land and the continuous improvement of operations by management.

China- Australia Free Trade Agreement opportunities

China is Australia's largest export market. With the China Australia Free Trade Agreement (ChAFTA) forcing on 20 December 2015, some 95% of Australian exports to China will become free of tariffs.

We continue to identify and assess opportunities in Australia and China that takes advantage of the ChAFTA, including partnerships and/or acquisitions of Australian a companies. There is interest in leveraging our established supply chain and logistic networks to tier-1 cities in the PRC with Australian suppliers of products.

We believe the outlook for our products remains robust, and that we are well positioned to continue to grow through acquisition and improving efficiencies at our existing plantations. We see significant opportunities to expand and look forward to providing strong returns for our shareholders for many years ahead.

Charles So
Chief Executive Officer
29 March 2018

DIRECTOR'S REPORT

Your director's present the annual financial report of Dongfang Modern Agriculture Group Limited ("DFM") for the year ended 31 December 2017.

DIRECTORS

At the date of this report, the Directors of the Company who held office at any time during or since the end of the financial year are:

Mr Hongwei Cai – Chairman
Mr Chiu (Charles) So – Chief executive officer
Mr Ming Sing Barton Tso
Ms Dan Lin – Non-executive
Mr Michael Wai-Man Choi – Non-executive

REVIEW OF OPERATIONS

A comprehensive review of operations is set out in the Chief Executive Officer's review of operations and activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs other than that referred to in the financial report.

PRINCIPAL ACTIVITIES

The Company is a leading Chinese producer of agricultural produce in Ganzhou City District, Jiangxi Province of PRC.

The Company is currently engaged in the business of cultivation and sales of various agricultural produce including the citrus fruits tangerine, pomelo and navel oranges and also camellia fruit and related products.

EVENTS SINCE THE END OF THE YEAR

There have been no significant matters that may affect entity's operations, results of operations or state of affairs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Other than as disclosed in the Executive Chairman's review and the Chief Executive Officer's review of operations, information on likely developments has not been included because disclosure would likely result in unreasonable prejudice to the Group.

ROUNDING OF AMOUNTS

DFM is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest RMB 1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the Class Order.

DIVIDENDS

In light of future growth plans, the Board 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 advantage to investors, reducing the seasonality of Dongfang Modern's cash flow and increasing shareholder value.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance. The Group's statement on the main corporate governance practices in place during the year is set out on the Company's website at http://www.dfm.net.au/investor-centre/corporate-governance.

DIRECTORS' AND SECRETARIES INTERESTS, ACTIVITIES AND QUALIFICATIONS

Hongwei Cai – Executive chairman

Mr Cai is responsible for the overall strategic management, investment planning and business development of the Group. He has extensive experience in management, marketing and business development of agricultural enterprises and public relations.

Other current Directorships:
None
Previous Directorships (last 3 years):
None
Interests in shares:
[263,165,994]

Chiu (Charles) So – Chief Executive Officer

Mr So is responsible for the overall operation of the Group.

He is a member of Certified Practicing Accountants of Australia and has a bachelor's Degree in commerce (Accounting) from Macquarie University in Sydney.

Mr So was previously the CFO of the Company overseeing the IPO of the Company in October 2015, one of the most successful IPO's on the ASX in 2015.

Prior to joining Dongfang Modern, Mr So was an executive director of an investment holding company listed on the Main Board of the Hong Kong Stock Exchange.

Other current Directorships:
None
Previous Directorships (last 3 years):
None
Interests in shares:
None

Ming Sing Barton Tso – Executive director

Mr Ming Sing Barton Tso has extensive experience with enterprise management, capital market operation and banking business investment in various enterprises and public companies in PRC Mainland and Hong Kong. He was previously the chief financial officer and executive director for Hong Kong stock exchange-listed companies. He was formerly the Financial Manager in the Hong Kong Branch of the Shanghai Stock Exchange-listed company.

Other current Directorships:
None
Previous Directorships (last 3 years):
None
Interests in shares:
None

Dan Lin - Non-executive Director

Ms Lin is an Independent Non-executive Director of the Company, and is based in Australia. She brings her expertise and experience in government relations and business development to the Company. Previously, she has worked in the Australian and Chinese telecommunication sectors including with Telstra, and as a council member and the executive of the council member in the communications industry in China for 7 years.

Other current Directorships:
None
Previous Directorships (last 3 years):
None
Interests in shares:
None

Michael Wai-Man Choi - Non-executive Director

Michael Wai-Man Choi is an Independent Non-executive Director of the Company, and is based in Brisbane.

He has extensive experience in business, management, strategic planning, processing improvement, human resources, financial management, marketing and business development. He is also a facilitator in the political and community arena with proficient leadership and people skills in stakeholder facilitation, consultation and management.

Mr Choi was previously a member of the Queensland China Council, a state government established body. Mr Choi is also an Advisor of the Queensland Chinese United Council, a Permanent Patron of the Queensland Chinese General Chamber of Business and the vice president of the Australia China Business Council Queensland Chapter.

Mr Choi was a member of the Queensland Parliament, being the first Asian-Australian elected to Queensland Parliament. In this role, Mr Choi held various ministerial portfolios as Assistant Minister including Mines, Energy, Natural Resources, Trade and Multicultural Affairs.

Other current Directorships:
None
Previous Directorships (last 3 years):
None
Interests in shares:
None

Philip Killen – Company Secretary

Based in Sydney, Mr Killen was appointed to the position of company secretary in July 2017.
Mr Killen is an experienced finance professional who has held various senior executive roles in a range of industries. His experience and knowledge includes company secretarial, finance, treasury, strategy, investor relations, corporate governance and systems. He is a CPA with bachelor degrees in Mathematics and Commerce.

Other current Directorships:
None
Previous Directorships (last 3 years):
None
Interests in shares:
None

DIRECTORS MEETINGS

The number of meetings of the Company's Board of Directors ('the Board') and of each board committee held during the year ended 31 December 2017, and the number of meetings attended by each director were:

Directors' meeting

Directors' name	Board Meetings		Audit and Risk Committee		Nomination Committee		Remuneration & Compliance Committee	
	A	B	A	B	A	B	A	B
Hongwei Cai	10	10						
Ming Sing Barton Tso	10	10	3	3				
Chiu So	10	10	3	3				
Dan Lin	10	10	3	3	1	1	1	1
Wan-Man Michael Choi	10	10			1	1	1	1

Where:
- column A is the number of meetings the Director was entitled to attend
- column B is the number of meetings the Director attended

REMUNERATION REPORT (audited)

Key Management personnel ("KMP") remuneration

Board policy for determining the nature, amount and value of remuneration paid to key management personnel and relationship between the policy and company performance

(a) Main Principles

The board's remuneration policy reflects its obligations to align KMP remuneration with shareholders' interests and to engage appropriately qualified KMP talent for the benefit of the Group. The main principles of the Policy are:

(1) Reward reflects the competitive global market in which the Group operates.

(2) Individual reward should be linked to performance criteria.

(3) Executives should be rewarded for both financial and non-financial performance.

(b) Elements of Remuneration

KMP total remuneration consists of the following:

(1) Salary – each KMP receives a fixed sum payable monthly in cash.

(2) Other benefits – KMP are eligible to participate in superannuation schemes.

(c) Future plans

The management decided not to peruse this option at the moment.

Directors Fees

Non-executive Directors fees are determined within an aggregate Directors fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at AUD320,000 per annum. The current Non – executive Director's base fee is AUD60,000 per annum.

There are currently no additional fees paid for work undertaken in addition to that provided in their role as Non – executive Directors.

There are currently no additional fees paid for work undertaken on board committees.

Details in relation to each element of the remuneration of each KMP member

Directors and KMP (as defined in section 300A Corporations Act 2001) of the Company are set out in the following tables. The KMP of the Company and the Group includes the Directors and the following executive officers who have authority and responsibility for the planning, directing and controlling the activities of the Group.

Name	Salaries		Directors Fees		Pension		Total	
	2017 RMB	2016 RMB	2017 RMB	2016 RMB	2017 RMB'	2016 RMB'	2017 RMB	2016 RMB
Directors' of the Company								
Hongwei Cai	1,193,933	1,111,361	298,483	370,454	-	-	1,492,416	1,481,815
Ming Sing Barton Tso	-	-	298,483	260,690	-		298,483	260,690
Chiu So	497,472	658,673	298,483	282,414	39,798	57,692	835,753	998,779
Dan Lin	-	-	298,483	296,363	-	-	298,483	296,363
Wan-Man Michael Choi	-	-	298,483	296,363	-	-	298,483	296,363
Directors' of the subsidiaries								
Zhou Zhiyuan	207,650	202,300	-	-	11,964	11,218	219,614	213,518
Zhuang Fan	153,050	-	-	-	5,985	-	159,035	-
Wen Min Hui	39,550	53,300	-	-	-	-	39,550	53,300
Li Jian	128,250	123,800	-	-	11,964	11,218	140,214	135,018
Huang Hua	125,650	121,200	-	-	11,964	11,218	137,614	132,418
Liu Hai	125,650	121,200	-	-	11,964	11,218	137,614	132,418
Total	2,471,205	2,391,834	1,492,415	1,506,284	93,639	102,564	4,057,259	4,000,682

Options granted to KMP

There are currently no options issued to KMP. An Employee Share Option Scheme ("ESOP") is currently being developed.

Service Agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of Director. Remuneration and other terms of employment for the Executive Directors and other key management personnel are also formalised in service agreements. Major provisions of the agreement relating to remuneration are set out below. There are no current service agreements that contain incentive clauses and as such future remuneration is not necessarily dependent on the performance results of the Company. The remuneration committee recommends service agreements to the Board for consideration and approval.

KMP	Commencement date	Term of Agreement	Base salary per annum	Directors fees per annum	Pension	Period of Notice
Executive Directors						
Hongwei Cai Executive Chairman	19 October 2015	n/a	AUD225,000	AUD75,000	Nil	3 months notice
Ming Sing Barton Tso Executive Director	19 October 2015	n/a	Nil	AUD60,000	Nil	3 months notice
Chiu So Executive Director & CEO	19 October 2015	n/a	AUD135,000	AUD60,000	9.5% of base salary	3 months notice
Non – executive Directors						
Dan Lin Non Exec Director	19 October 2015	3 Years	Nil	AUD60,000	Nil	30 days notice
Wan-Man Michael Choi Non Exec Director	20 May, 2015	3 Years	Nil	AUD60,000	Nil	30 days notice
Management						
Zhou Zhiyuan	1 Oct 2014	3 Years	RMB201,000		Social Insurance	3 months notice
Wen Min Hui	1 Oct 2014	3 Years	RMB 52,000		Nil	3 months notice
Li Jian	23 June 2013	3 Years	RMB 122,500		Social Insurance	3 months notice
Huang Hua	23 June 2013	3 Years	RMB 119,900		Social Insurance	3 months notice
Liu Hai	23 June 2013	3 Years	RMB 119,900		Social Insurance	3 months notice

Shareholdings

The number of shares in the Company held during the year by each Director and KMP of the Group, including their personally related parties are set out below;

Name	Balance at the start of the year	Granted during the year as compensation	Additions	Disposals/Other changes	Balance at the end of the year
Hongwei Cai	228,959,912	-	22,274,337	15,000,000	236,234,249
Ming Sing Barton Tso	-	-	-	-	-
Chiu So	-	-	-	-	-
Dan Lin	-	-	-	-	-
Wan-Man Michael Choi	-	-	-	-	-
Zhou Zhiyuan	-	-	-	-	-
Wen Min Hui	-	-	-	-	-
Li Jian	-	-	-	-	-
Huang Hua	-	-	-	-	-
Liu Hai	-	-	-	-	-

Other transactions with KMP and their related parties

There were no other transactions with KMP and their related parties.

DIRECTORS INDEMNITIES AND INSURANCE PREMIUMS

There are indemnity and access agreements between the Company and each director giving an indemnity to the extent permitted under the Corporations Act.

The Company has a standard Directors and Officers insurance covering each director.

ENVIRONMENTAL LEGISLATION

The Group carries on business in an industry that is subject to PRC environmental protection law and regulations. Enterprises engaged in food production should comply with the law and regulations concerning environmental protection. If an enterprise fails to report or provide false information about the environmental pollution caused by it, it will receive a warning or be penalized. Failure to eliminate or control pollution within the required timeframe may result in the payment of a fee for excessive discharge; or imposition of a fine; or suspension or close down of the operation.

The Group has been complying with the relevant PRC environmental protection law and regulations.

NON AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (PKF) for audit and non-audit services provided during the year are set out in note 29, with nil non-audit services being provided related to tax and other advice.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page xx.

This report is made in accordance with a resolution of directors.

Hongwei Cai
Chairman

29 March 2018
Sydney

Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Dongfang Modern Agriculture Holding Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF	**SCOTT TOBUTT**
Chartered Accountants	Partner

Sydney

Dated: 27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 RMB '000	2016 RMB '000
Revenue	6	1,062,767	1,024,960
Cost of sales		(582,387)	(572,099)
Gross profit		**480,380**	**452,861**
Other income	6	1,253	1,231
Administrative expenses		(14,482)	(13,201)
Operating profit		**467,151**	**440,891**
Finance costs		(12)	(23)
Profit before income tax	7	**467,139**	**440,868**
Income tax expense	8	-	(10,200)
Profit for the year		**467,139**	**430,668**
Other comprehensive income:			
Exchange differences on translating foreign operations		(10,961)	7,389
Other comprehensive income for the year, net of tax		(10,961)	7,389
Total comprehensive income for the year		**456,178**	**438,057**
Total comprehensive income is attributable to:			
Owners of Dongfang Modern Agriculture Holding Group Limited		**456,178**	**438,057**
Earnings per share:			
Basic	11	**RMB1.16**	**RMB1.10**
Diluted	11	**RMB1.16**	**RMB1.10**

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 RMB '000	2016 RMB '000
Assets			
Current			
Cash and cash equivalents	13	381,968	376,254
Trade and other receivables	14	540,920	462,587
Deferred expenses	15	103,528	112,335
Total current assets		**1,026,416**	**951,176**
Non-current			
Property, plant and equipment	16	1,208	1,941
Bearer plant	17	1,631,268	1,212,864
Deferred expenses	15	103,458	22,273
Total non-current assets		**1,735,934**	**1,237,078**
Total assets		**2,762,350**	**2,188,254**
Liabilities			
Current			
Trade and other payables	18	262,206	152,630
Amount due to a shareholder	24	68,535	57,451
Current portion of obligation under finance lease	20	82	77
Income tax payable		10,200	10,200
Total current liabilities		**341,023**	**220,358**
Non-current			
Non-current portion of obligation under finance lease	20	335	411
Total non-current liabilities		**335**	**411**
Total liabilities		**341,358**	**220,769**
Net assets		**2,420,992**	**1,967,485**
Equity			
· Share capital	21	309,708	208,502
· Reserves		65,545	76,506
· Retained earnings		2,045,739	1,682,477
Total equity		**2,420,992**	**1,967,485**

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2016	**172,042**	**20,321**	**40,642**	**8,154**	**1,342,643**	**1,583,802**
Dividends paid	-	-	-	-	(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
Balance at 31 December 2016/ 1 January 2017	**208,502**	**20,321**	**40,642**	**15,543**	**1,682,477**	**1,967,485**
Dividends paid	-	-	-	-	(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	-	-	-	(10,961)	-	(10,961)
Total comprehensive income for the year	-	-	-	(10,961)	467,139	456,178
Balance at 31 December 2017	**309,708**	**20,321**	**40,642**	**4,582**	**2,045,739**	**2,420,992**

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 RMB '000	2016 RMB '000
Operating activities			
Profit before income tax		467,139	440,868
Depreciation and amortisaton		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**
Investing activities			
Cash paid for acquisition of property, plant and equipment		-	(1,564)
Cash paid for acquisition of bearer plants		**(388,616)**	(341,743)
Net cash used in investing activities		**(388,616)**	**(343,307)**
Financing activities			
Advance from a shareholder		9,188	3,527
Dividends paid		(1,669)	(450)
Repayment of finance lease		(90)	(96)
Net cash from financing activities		**7,429**	**2,981**
Net change in cash and cash equivalents		**7,955**	**(261,631)**
Cash and cash equivalents, beginning of year		376,254	632,190
Exchange differences on cash and cash equivalents		(2,241)	5,695
Cash and cash equivalents, end of year	**13**	**381,968**	**376,254**

Note: This statement should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

1 Nature of operations

During the year, the principal activities of entities within the Group were cultivation and sales of various agricultural produce including the citrus fruits tangerine, pomelo and navel oranges and also camellia fruit and related products in Ganzhou City District, Jiangxi Province of the Peoples Republic of China.

2 General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

These consolidated financial statements also comply with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis.

Dongfang Modern Agriculture Holding Group Limited is the Group's Ultimate Parent Company. Dongfang Modern Agriculture Holding Group Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office Level 12, 225 George Street, Sydney NSW 2000 Australia.

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 29 March 2018.

3 Summary of accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the periods presented.

3.1 New and amended standards adopted by the Group

In 2017, the Group has adopted the following amendments to AASBs which were effective for accounting periods beginning on or after 1 January 2017:

Amendments to AASB107	Statement of Cash Flows – Disclosure Initiative
Amendments to AASB112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these amendments to AASBs does not have any financial impact on the Group. Only amendments to AASB107 require the disclosure of changes in liabilities arising from financing activities.

3.2 New standards and interpretations not yet adopted

- AASB 2 (Amendments) Classification and measurement of share-based payment transactions
- AASB 9 Financial Instruments [1]
- AASB 15 and AASB 15 (Amendments) Revenue from Contracts with Customers [1]
- AASB 16 Leases [2]
- AASB 10 and AASB 128 (Amendments) Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture[2]

1 Effective for accounting periods beginning on or after 1 January 2018
2 Effective for accounting periods beginning on or after 1 January 2019

New accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group.

Other than AASB 16, the adoption of the above has no material impact on the results and the financial position of the Group.

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value. At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of AASB 116 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss. AASB 16 will supersede the current lease standards including AASB 117 Leases and the related Interpretations when it becomes effective. AASB will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied AASB15 Revenue from Contracts with Customers at or before the date of initial application of AASB16. The directors are in the process of assessing the impacts on the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of until the Group performs a detailed review.

3.3 Consolidation

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The Group applies merger accounting to account for the business combinations (including acquisition of subsidiaries) under common control, where all assets and liabilities are recorded at predecessor carrying amounts, as if the existing group structure had been in existence throughout the years presented, and the existing business have been combined from the date when they first came under the control of the controlling party, where differences between consideration payable and the net assets value are taken to the capital reserve.

Inter-company transactions and balances between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.4 Property, plant and equipment and depreciation

Property, plant and equipment, is stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows :

Category	**Estimated useful life**	**Estimated residual values**
Furniture and equipment	3 - 10 years	0% - 3%
Motor vehicle	4 years	3%
Leasehold improvements	Over the shorter of lease terms and estimated useful life	-

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting periods.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3.5 Prepaid leases payments

Upfront payments made to acquire land use rights and/or plantation bases under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. Minimum lease payments are amortised on a straight line basis over the term of the lease except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.6 Employee benefits

Salaries, annual bonuses, paid annual leave; contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

3.7 Bearer plants

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;
(b) is expected to bear produce for more than one period; and
(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants of the Group comprise trees in forests, of which the Forestry Right Certificates have been issued to the Group involved in the agricultural activities of the transformation of bearer plants into agricultural produce for sale or further processing.

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by the management. Bearer plant is stated at cost less accumulated amortisation and impairment loss (if any). Bearer plant is amortised over the term set out in the respective Forestry Right Certificate.

3.8 Agricultural produce

Agriculture produce harvested from bearer plants for further processing is measured at its fair value less costs to sell at the point of harvest. The fair value less costs to sell at the time of harvest is deemed as the cost of agriculture produce for further processing.

If an active market exists for Agriculture produce with reference to comparable species, growing condition and expended yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

All the plantation costs incurred after the harvest period is stated as deferred expenses at cost. When the Agriculture produce is harvested, the carrying amount of the deferred expenses is recognised as expenses in the period in which the related revenue is recognised.

3.9 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

3.10 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arose on initial recognition of assets and liabilities that affect neither accounting nor taxable profit, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised in profit or loss.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met :-

i. In the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

ii. In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either :-

   - the same taxable entity; or
   - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and other short-term (with original maturity less than three months), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

3.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(a) Classification of assets leased to the Group

Assets that are held by Group under lease which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(b) Assets acquired under finance lease

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3.4. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3.15. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(c) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.14 Impairment of assets

i. Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events: -

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

ii. Impairment of Other Assets

If any of such evidence exist, an impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the receivables' original effective interest rate (i.e. the effective interest rate computed at initial recognition), where the effect of discounting is material. The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the receivable exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased: -

- property, plant and equipment;
- inventories;
- deferred expenses; and
- prepayments

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3.15 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if: -

a) A person, or a close member of that person's family, is related to the Group if that person:

    i. has control or joint control over the Group;

    ii. has significant influence over the Group; or

    iii. is a member of the key management personnel of the Group or the Group's holding company.

b) An entity is related to the Group if any of the following conditions applies:

    i. The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

    iii. Both entities are joint ventures of the same third party.

    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

    v. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

    vi. The entity is controlled or jointly controlled by a person identified in (a).

    vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

    Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3.16 Foreign currency translation

These consolidated financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency at rates of exchange ruling at the end of each reporting period. All exchange differences are recognised in profit or loss.

3.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customers have accepted the goods.

ii. Interest income is recognised on an accrual basis using the effective interest method.

3.18 Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares.

3.19 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.20 Earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

3.21 Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

3.22 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

3.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Impairment of trade receivables and other receivables

Impairment of trade receivables and other receivables is made based on assessment of their recoverability. The identification of impairment of trade receivables and other receivables requires management's judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment loss or reversal of impairment in the period in which such an estimate has been changed.

ii. Revenue recognition

Revenue is recognised when the risk and reward of the ownership are transferred to the buyer and when the fair value of amount receivable and the cost of sales can be measured reliably. Whether the risk and reward of the ownership are transferred to the buyer requires the management to exercise judgement according to the market practice.

5 SEGMENT INFORMATION

The Group has four reportable segments, which are the plantation of:–

- Tangerine
- Camellia
- Pomelo
- Orange

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology strategies. Segment profits or losses do not include unallocated other income and unallocated corporate expenses. Segment assets do not include cash and bank balances and unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities.

Information about the Group's reportable segments are as below:

	Tangerine		Camellia		Pomelo		Orange		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**570,316**	621,918	**179,477**	138,997	**145,822**	164,522	**167,152**	99,523	**1,062,767**	1,024,960
Segment results	**265,029**	280,679	**53,668**	42,460	**69,628**	78,797	**92,055**	50,925	**480,380**	452,861
Unallocated other income									**1,253**	1,231
Unallocated corporate expenses									**(14,494)**	(13,224)
Profit before income tax									**467,139**	440,868
Income tax expense									**-**	(10,200)
Profit for the year									**467,139**	430,668

	Tangerine		Camellia		Pomelo		Orange		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets										
Segment assets	**712,378**	649,538	**581,847**	398,044	**123,009**	107,015	**674,981**	346,917	**2,092,215**	1,501,514
Unallocated corporate assets									**670,135**	686,740
Total assets									**2,762,350**	2,188,254
Liabilities										
Segment liabilities	**43,966**	43,966	**79,208**	53,733	**615**	615	**87,609**	220	**211,398**	98,534
Unallocated corporate liabilities									**129,960**	122,235
Total liabilities									**341,358**	220,769

All of the Group's revenue, customers and non-current assets are in the People's Republic of China. An analysis of the major customers are as follows:-

Revenue from customers over 10% of total revenue:

For the year ended 31 December 2017	**2017 RMB '000**	**2016 RMB '000**
Customer A	148,770	12,068
Customer B	75,281	216,002
Customer C	147,968	99,404
Customer D	189,493	88,358
Customer E	161,818	249,476
Customer F	151,378	94,597
	874,708	**759,905**

For the year ended 31 December 2017	**2017**	**2016**
From the largest customer	17.83%	24.34%
From top 5 customers	75.22%	72.96%

6 REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:-

For the year ended 31 December 2017	**2017 RMB '000**	**2016 RMB '000**
Revenue :		
Sales of goods	**1,062,767**	1,024,960
Other income :		
Sundry income	**219**	110
Exchange gain	**-**	27
Bank interest income	**1,034**	1,094
	1,064,020	1,026,191

7 PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging;-

For the year ended 31 December 2017	**2017 RMB '000**	**2016 RMB '000**
(a) Employee benefit expense :-		
Wages and salaries (excluding directors' fees)	5,722	5,941
Social welfare and other costs (including defined contribution pension schemes)	1,881	1,778
Subtotal	**7,603**	**7,719**
(b) Other items :-		
Depreciation	755	614
Amortisation of bearer plant	52,503	36,036
Operating lease charges for plantation bases	77,103	82,874
Operating lease charges for office premises	1,189	850
Interest expense	12	23
	131,562	**120,397**

8 INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No Australian income tax is provided as the Company did not generate any assessable income in that jurisdiction.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong during the years presented.

The National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which has been effective since 1 January 2008.

Ganzhou Chinese and PRC taxation
The currently applicable tax rates in PRC are as follows:

Category	**Tax Rate**
Value Added Tax	13%
Income Tax	25%
Education Surcharge	3%
Local Education Surcharge	2%
Stamp Tax for sale agreement	0.1%

1. Income tax

   a. According to the PRC enterprise income tax law ("EIT Law") and its implementation rules, the PRC statutory income tax rate is 25%.

   b. However, because Ganzhou Chinese is engaging in growing, processing and sales of Agriculture products it is currently exempt from PRC enterprise income tax ("EIT") subject to approval by or registration with the relevant tax authority. According to the Preferential Tax Treatments Confirmation Form issued by the State Tax Bureau of Xingguo County Jiangxi Province, Ganzhou Chinese is currently exempt from PRC EIT

   c. While Ganzhou Chinese expects to receive a Preferential Tax Treatments Confirmation Form for the future years, if it does not receive the same, its profits may be subject to income tax of 25%.

2. Withholding Tax

   a. Dividends paid by Ganzhou Chinese to Worldwide Network will be subject to a 10% withholding tax in PRC.

3. Value-Added Tax

   a. According to the Interim Regulations of the People's Republic of China on Value-added Tax and the Notification of the Ministry of Finance and the State Administration of Taxation Pertaining to the Explanatory Notes on the Levying Scope of Agriculture Products, enterprises engaging in Agriculture production and operation, and the sale of self-produced Agriculture products are exempt from value-added tax.

   b. According to the Preferential Tax Treatments Confirmation Form issued by the State Tax Bureau of Xingguo County Jiangxi Province, Ganzhou Chinese is currently exempt from Enterprise value-added tax.

   c. While Ganzhou Chinese expects to receive a Preferential Tax Treatments Confirmation Form for the future years, if it does not receive the same, the sale of its Agriculture products will become subject to VAT of 13%.

8 INCOME TAX EXPENSE (Cont'd)

For the year ended 31 December 2017	2017 RMB '000	2016 RMB '000
Profit before income tax	**467,139**	440,868
Tax at the domestic rates applicable to profits in the countries concerned	**117,064**	110,140
Expenses not deductible for tax purposes	**2,313**	2,530
Effect of tax concession for Agriculture activities in the PRC	**(119,377)**	(112,670)
Dividend withholding tax	**-**	10,200
Income tax expense	**-**	10,200

As at 31 December 2017, there were no material unrecognized temporary differences (2016: Nil).

9 KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation of key management personnel of the Group is as follows:-

For the year ended 31 December 2017	2017 RMB '000	2016 RMB '000
Wages and salaries	3,068	3,327
Pension scheme contributions	94	205
	3,162	3,532

10 SEASONAL FLUCTUATIONS

By its very nature, the business undertaken by Ganzhou Chinese is highly seasonal with all harvests and sales occurring between the months of September to December each year as follows:

Camellia	October and November
Pomelo	September, October and November
Navel Orange	November and December
Tangerine	August, September and October

11 EARNINGS PER SHARE

Basic earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator, i.e. no adjustments to profits were necessary during the year 31 December 2017 (2016: Nil).

The weighted average number of shares for the purposes of the calculation of basic earnings per share is:

For the year ended 31 December 2017	2017	2016
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**403,956,645**	392,419,176

For the year ended 31 December 2017	2017 RMB	2016 RMB
Basic earnings per share	**1.16**	1.10

12 DIVIDENDS

For the year ended 31 December 2017	**2017 RMB'000**	**2016 RMB'000**
AUD0.05 per ordinary share	103,877	90,834

On 29 February 2016, the directors declared a final dividend of AUD0.05 per ordinary share, and also approved a dividend reinvestment plan ("DRP"). Shareholders representing 1,818,965 ordinary shares have elected to receive cash whereas shareholders representing 154,160,135 ordinary shares have elected the DRP. On 3 June 2016, 3,715,001 ordinary shares were accordingly issued under DRP. The controlling shareholder, Hongwei Cai, has elected to reinvest the dividend of 234,292,500 shares, totalling approximately RMB 54,530,000 to the Company as an interest free loan.

On 28 February 2017, the directors declared a final dividend of AUD0.05 per ordinary share, in line with the previous corresponding year. Shareholders representing 6,329,496 ordinary shares have elected to receive cash whereas shareholders representing 387,657,105 ordinary shares have elected the DRP. On 15 August 2017, 26,370,043 ordinary shares were accordingly issued under DRP.

13 CASH AND CASH EQUIVALENTS

	2017 RMB '000	**2016 RMB '000**
Cash and bank balances	**381,968**	376,254

The Group's cash and bank balances were primarily denominated RMB.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange.

Bank balances earns interest at floating rates based on daily bank deposit rates.

14 TRADE AND OTHER RECEIVABLES

The Group seeks to maintain strict control over its outstanding receivables. Trade receivables are non-interest-bearing and neither past due nor impaired.

The Group's credit terms with customers during the year presented were mainly 60 days.

An aged analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows :-

	2017 RMB '000	**2016 RMB '000**
Trade Receivables		
0 to 30 days	86,722	362,590
30 to 60 day	354,550	-
Deposits	1,163	1,187
Prepayments	98,242	98,059
Input tax credit	243	751
Total	**540,920**	**462,587**

15 DEFERRED EXPENSES

For the year ended 31 December 2017	**Prepaid lease payments**	**Deferred plantation costs**	**Total**
	RMB '000	**RMB '000**	**RMB '000**
A t 1 January 2016	**97,941**	**40,928**	**138,869**
Payments during the year	66,335	46,105	112,440
Utilisation for the year	(75,773)	(40,928)	(116,701)
At 31 December 2016	**88,503**	**46,105**	**134,608**
Payments during the year	143,787	51,799	195,586
Utilisation for the year	(77,103)	(46,105)	(123,208)
At 31 December 2017	**155,187**	**51,799**	**206,986**

As at:	**2017**	**2016**
	RMB '000	**RMB '000**
Non-current portion	**103,458**	22,273
Current portion	**103,528**	112,335
	206,986	134,608

Prepaid lease payments represent the rental payment of the cultivation bases situated in the PRC which are held on operating leases with terms of approximately 14 years.

Deferred plantation costs represent the costs incurred to cultivate agriculture produces which will be harvested in the subsequent years. The deferred plantation costs in relation to the harvest with 12 months from the end of each reporting period are classified as deferred expenses under current assets. Deferred expenses classified under current assets represent the prepaid lease payments and plantation costs incurred for the harvest of agriculture produces within 12 months from the end of each reporting period.

16 PROPERTY, PLANT AND EQUIPMENT

The following tables show the movements in property, plant and equipment:

	Motor vehicle RMB'000	Electronic and office equipment RMB'000	Computer software RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost					
As at 1.1.2016	**1,528**	**466**	**85**	**486**	**2,565**
Additions	604	-	-	1,511	2,115
Translation difference	7	-	-	18	25
As at 31.12.2016	**2,139**	**466**	**85**	**2,015**	**4,705**
Disposals	-	(47)	-	-	(47)
Translation difference	10	-	-	24	34
As at 31.12.2017	**2,149**	**419**	**85**	**2,039**	**4,692**
Accumulated depreciation					
As at 1.1.2016	**1,482**	**418**	**33**	**211**	**2,144**
Charge for the year	116	15	9	474	614
Translation difference	1	-	-	5	6
As at 31.12.2016	**1,599**	**433**	**42**	**690**	**2,764**
Charge for the year	124	10	8	613	755
Write-back on disposal	-	(45)	-	-	(45)
Translation difference	2	-	-	8	10
As at 31.12.2017	**1,725**	**398**	**50**	**1,311**	**3,484**
Net value **As at 31.12.2017**	**424**	**21**	**35**	**728**	**1,208**
As at 31.12.2016	540	33	43	1,325	1,941

17 BEARER PLANTS

	Tangerine RMB '000	Camellia RMB '000	Navel orange RMB '000	Total RMB '000
Cost				
At 1 January 2016	**300,000**	**13,455**	**325,040**	**638,495**
Additions	205,989	429,874	-	635,863
At 31 December 2016	**505,989**	**443,329**	**325,040**	**1,274,358**
Additions	-	119,616	366,120	485,736
Translation difference	-	(14,968)	-	(14,968)
At 31 December 2017	**505,989**	**547,977**	**691,160**	**1,745,126**
Accumulated amortisation:				
At 1 January 2016	**-**	**2,747**	**22,711**	**25,458**
Charge for the year	13,433	11,767	10,836	36,036
At 31 December 2016	**13,433**	**14,514**	**33,547**	**61,494**
Charge for the year	17,211	16,367	18,925	52,503
Translation difference	-	(139)	-	(139)
At 31 December 2017	**30,644**	**30,742**	**52,472**	**113,858**
Net carrying amount:				
At 31 December 2017	**475,345**	**517,235**	**638,688**	**1,631,268**
At 31 December 2016	492,556	428,815	291,493	1,212,864

Bearer plants represent Camellia, Navel Orange and Tangerine Forests ("the Forests") located in the PRC. The total cultivable area was 59,651Mu at 31 December 2017. (2016: 45,819Mu)

The Group recognises the Camellia, Navel Orange and Tangerine Forests as bearer plants when, and only when:-

- The Group controls the Forests as a result of past event, which is evidenced by the risks and rewards of cultivation bases have been passed to the Group;
- It is probable that future economic benefits associated with the Forests will flow to the Group; and
- The fair value or cost of the Forests can be measured reliably.

According to the Forestry Right Certificates issued by or confirmation received from the relevant PRC authority, the Group was granted a right to perform Camellia, Navel Orange and Tangerine plantation and harvest within the cultivable area of 59,651 Mu for 20 to 30 years.

The Group is exposed to a number of risks related to Camellia, Navel Orange and Tangerine cultivation:-

a) Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. The directors are not aware of any environmental liabilities as at 31 December 2017.

b) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of Agriculture produce. When possible the Group manages this risk by controlling its harvest volume, according to market conditions. Management performs regular industry trend analysis to ensure the Group's pricing policy is comparable to the market and the projected harvesting volumes are consistent with the expected demand.

c) Climate and other risks

The Group's plantation is exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has procedures in place aimed at monitoring and mitigating those risks, including regular forest inspections and pesticide preventions.

18 TRADE AND OTHER PAYABLES

The trade payables were interest-free. The credit term during the year presented were mainly 30-90 days.

	2017 RMB '000	2016 RMB '000
Trade Payables	29,077	13,334
Other payable	2,835	402
Salary payable	873	174
Payable for acquisition of bearer plants	229,422	138,720
Total	**262,206**	**152,630**

19 EMPLOYEE RETIREMENT BENEFITS

As stipulated by the PRC state regulations, the subsidiaries in the PRC participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The PRC subsidiary is required to make contributions to the local social security bureau at 29.4% to 37.4% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the PRC subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the PRC subsidiary and their employees are each required to make contributions to an accommodation fund at 9% of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at 31 December 2017, the Group had no significant obligation apart from the contributions as stated above.

20 OBLIGATION UNDER FINANCE LEASES

The Group acquired a motor vehicle under a finance lease with term of 4 years. An analysis of the minimum lease payments and their present values is set out below:

	2017		2016	
	Minimum lease payments RMB'000	**Present value RMB'000**	**Minimum lease payments RMB'000**	**Present value RMB'000**
Not later than one year	98	82	97	77
Later than one year and not later than five years	348	335	439	411
Total	446	417	536	488
Less: Future finance charges	(29)	-	(48)	-
	417	417	488	488

21 SHARE CAPITAL

For the year ended 31 December 2017		**2017**		**2016**
	Shares	**RMB'000**	**Shares**	**RMB'000**
Shares issued:				
Beginning of the year	393,986,601	208,502	390,271,600	172,042
Shares issued for DRP	26,370,043	101,206	3,715,001	36,460
Total shares issued and paid at the end of the year	420,356,644	309,708	393,986,601	208,502

On 29 February 2016, the Directors declared a final dividend of AUD0.05 per ordinary share, and also approved a dividend reinvestment plan ("DRP"). On 3 June 2016 3,715,001 ordinary shares were accordingly issued under DRP.

On 28 February 2017, the directors declared a final dividend of AUD0.05 per ordinary share, in line with the previous corresponding year. On 15 August 2017, 26,370,043 ordinary shares were issued to shareholders under DRP.

22 RESERVES

Capital reserve

Capital reserve represents the paid-in capital of the Ganzhou Agriculture and presented as capital reserve as a result of corporate restructuring.

Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC (''PRC GAAP'') to the statutory surplus reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of this reserve is not less than 25% of registered capital.

Foreign currency exchange reserve

Foreign currency exchange reserve represents the accumulated difference in translating the financial statements of group entities that their functional currencies are different from the presentation currency of these consolidated financial statements.

23 OPERATING LEASE ARRANGEMENT

At the end of each year presented, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:-

	2017 RMB '000	2016 RMB '000
Within 1 year	**24,507**	1,003
After 1 year but within 5 years	**200,571**	291,378
After 5 years	**334,159**	409,811
	559,237	702,192

The Group is the lessee in respect of a number of cultivation bases and office premises held under operating leases. The leases typically run for an initial period of three to fifteen years.

24 RELATED PARTY TRANSACTIONS AND BALANCES

	2017 RMB '000	2016 RMB '000
Amount due to a shareholder	**68,535**	57,451

The amount due to a shareholder was interest free, unsecured and repayable on demand.

The Group is ultimately controlled by the director, Mr. Hongwei Cai.

Details of the subsidiaries and key management compensation are set out in notes 27 and 9 to the financial statements respectively.

There were no other material related party transactions during the years presented.

25 FINANCIAL RISKS

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

The Group's principal financial instruments comprise trade receivables, deposits, cash and cash equivalents, trade and other payables. These financial instruments mainly arise from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks which are summarised below.

25.1 Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group has a credit policy in place and exposure to the credit risk is monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group had significant exposure to individual customers.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The trade receivables are due within one or two months from the date of billing. Normally, the Group does not obtain collateral from customers.

The director considers that the credit risk from bank balances is minimal as the balances are placed with financial institutions with high credit ratings.

The director considers that the credit risk of trade receivables and deposits is minimal as the counter parties have no past history of default and are financially healthy.

The Group does not provide any guarantees which would expose the Group to credit risk.

25.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio.

25.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the end of each year presented, only the bank balances bearing variable interest that were exposed to interest rate risk.

Since the maturities are short, the Group is not exposed to significant interest rate risk.

25.4 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group manages currency risk, when it is considered significant, by entering into appropriate currency forward contracts.

The Group does not have significant currency risk as it only has immaterial amount of liabilities denominated in foreign currencies at the end of each year presented.

25.5 Fair value

The Group considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximated their fair value.

As the financial instrument risk is considered minimal, a sensitivity analysis is not presented.

26 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and to maintain an optimal capital structure to reduce cost of capital.

To meet these objectives, the Company manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholder, issuing new equity shares, and raising or repaying debt as appropriate.

Currently the Group does not have any borrowings and are self-sustained after the listing of the Group.

27 DETAILS OF SUBSIDIARIES

Company name	Place and date of incorporation/ and kind of legal entity	Particulars of capital as at 31.12.2017	Attributable equity interest held	Principal activities
Ganzhou Chinese Modern Agriculture Co., Ltd	Established in the PRC on 14.10.2005, wholly foreign-owned enterprise	Registered and paid-in capital of HK$39,000,000	100%	Cultivation and sale of agriculture produce
Worldwide Network Investment Group Limited	Incorporated in Hong Kong on 15.10.2012	HK$100	100%	PRC subsidiary Holding Company
DFM Group Australia Pty Ltd	Incorporated in Australia on 18.11.2015	$1	100%	Australian services
DFM HK Limited	Incorporated in Hong Kong on 19.11.2015	HK$1	100%	Hong Kong services

28 PARENT ENTITY FINANCIAL INFORMATION

In preparing the individual financial statements for the parent entity, the accounting policies are the same as the accounting policies disclosed above, except that the amounts are presented in Australian Dollars, which shows the following aggregate amounts:

	2017 AUD	2016 AUD
Statement of financial position		
Current assets	74,153,151	54,344,982
Total assets	74,153,151	54,344,982
Current liabilities	12,588,162	11,789,738
Total liabilities	12,588,162	11,789,738
Shareholders' equity		
Issued capital	65,367,393	45,984,538
Accumulated losses	(3,802,404)	(3,429,295)
Profit or loss for the year	19,326,220	18,961,229
Total comprehensive profit or loss for the year	19,326,220	18,961,229

The parent has no contingent liabilities or contractual commitments.

The parent has not entered into a deed of cross guarantee.

29 AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PKF Australia

(i) Audit and other assurance services:

	2017 AUD	2016 AUD
Audit of financial statements	67,000	65,000
Review of interim financial statements	30,900	35,000
Total	97,900	100,000

(ii) Non-assurance services:

	2017 AUD	2016 AUD
Tax services	-	6,100
Corporate Finance	-	3,450
Total	-	9,550

(b) Other PKF network firm

(i) Audit and other assurance services:

	2017 RMB	2016 RMB
Audit of financial statements	816,370	806,040
Review of interim financial statements	624,121	223,900
Total	1,440,491	1,029,940

30 EVENTS AFTER REPORTING DATE

On 2 January 2018, the Company was awarded and drew down loan facility of HK$300,000,000 from a state owned non-banking financial institution. The key terms are set out below:

1. The term for the Facility is approximately 3 years repayable at minimum of HK$30,000,000 on 20 December 2019 with the remainder due on the 20 December 2020 unless extended. The Company may apply in writing for a one year extension subject to compliance with its obligations under the Facility and repayment of 20% of the outstanding principal of the Facility before 20 December 2020. Notwithstanding the relevant term of repayment, the Lender has the right to request for the Facility (principal and interest) to be payable in full on demand.

2. Dongfang may repay the Facility in full after 20 December 2019.

This Facility provides the Company with the opportunity to acquire businesses with strong growth potential, leveraging our existing distribution networks and knowledge of the Chinese market.

Except as disclosed elsewhere in these financial statements, there have been no material subsequent events undertaken by the Company or by the Group after 31 December 2017.

31 CONTINGENT LIABILITIES

The Group had no contingent liabilities at 31 December 2017.

DIRECTOR'S DECLARATION

In accordance with the resolution of the Directors, the Directors of Dongfang Modern Agriculture Holding Group Limited declare that:

1. In the opinion of the Directors:

    a. The financial statements, including the notes and additional disclosures included in the Directors' Report, of Dongfang Modern Agriculture Holding Group Limited and its controlled entities ("Group"):

        i. are in accordance with the Corporations Act 2001 (Cth);

        ii. give a true and fair view of the Group's financial position as at 31 December 2017 and of the performance of the Group for the year ended on that date; and

        iii. comply with Australian Accounting Standards and the Corporation Regulations 2001 (Cth);

    b. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become payable; and

    c. The financial statements and the notes to those financial statements are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 (Cth) for the financial year ended 31 December, 2017.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

Hongwei Cai
Director

29 March 2018
Sydney

PKF

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DONGFANG MODERN AGRICULTURE HOLDING GROUP LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Dongfang Modern Agriculture Holding Group Limited (the company and its subsidiaries ("the Group")), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of the Group is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Ownership and existence of Bearer Plants

Why significant

As at 31 December 2017, the carrying value of bearer plants owned by the Group was RMB 1,631,268,000 RMB (2016: 1,212,864,000), which represented Camellia, Navel Orange, Pomelo and Tangerine Forests located in the Peoples Republic of China ("PRC"), with total cultivable areas of 59,651Mu (2016 45,819Mu), as disclosed in Note 17.

During the year, the Group acquired the rights to a further two plantations for a cost of RMB 635,863,000, with cultivable areas of 13,832Mu.

The purchase agreements provide the Group with a long term tenure over the land, and control over the bearer plants, but ultimately the land remains state or collectively owned due to PRC laws. The bearer plants are recognised initially at cost and are subsequently amortised over the term of land tenure.

Due to the material nature of the bearer plants, and their remote locations within the PRC, we have determined that the ownership and existence of the plantations to be a key audit matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Agreeing plantation bases to purchase contracts to confirm ownership by the Group.
- Obtaining legal opinions regarding the effective transfer of use and control of each of the plantation bases to the Group.
- Confirming the Group has control over the forests on the land through receipt of Forestry Title Certificates or confirmation from local forest authority.
- For acquisitions during the year, reviewing the purchase contract terms and conditions, and verifying consideration paid, and net assets acquired.
- Performing site visits of newly acquired and existing plantation sites to verify existence and condition of bearer plants, as well as confirming operational arrangements with supplies and distributors.
- Reviewing the accounting treatment of bearer plants, being the application of the cost model per AASB 16 Property Plant & Equipment, and the disclosures and presentation provided in the annual report.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

Auditor’s Responsibilities for the Audit of the Financial Report (cont’d)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor’s judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Dongfang Modern Agriculture Holding Group Limited for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

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SCOTT TOBUTT
PARTNER

29 MARCH 2018
SYDNEY

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 March 2018.

Analysis of Holdings as at 26-03-2018

Dongfang Modern Agriculture Holding Group Limited

Securities:
Fully Paid Ordinary Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	139	54,176	0.013
1,001-5,000	353	874,469	0.208
5,001-10,000	95	650,193	0.155
10,001-100,000	140	3,444,510	0.819
100,001-99,999,999,999	34	415,333,296	98.805
Totals	**761**	**420,356,644**	**100.000**

Top 20 Holdings as at 26-03-2018
Dongfang Modern Agriculture Holding Group Limited
Fully Paid Ordinary Shares

Name/Address 1	Balance as at 26-03-2018	%
PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	219,526,749	52.224%
MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	106,239,019	25.274%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,377,749	4.848%
CITICORP NOMINEES PTY LIMITED	20,336,724	4.838%
HAMMER CAPITAL CONSULTING LIMITED	20,000,000	4.758%
MR MAO YAN	12,250,000	2.914%
MIE HOLDINGS CORPORATION	4,000,000	0.952%
CITICORP NOMINEES PTY LIMITED <BSP ACCOUNT>	2,243,121	0.534%
BNP PARIBAS NOMS PTY LTD <UOB KH P/L AC UOB KH DRP>	2,141,000	0.509%
AUSCHINA INTERNATIONAL INVESTMENT PTY LTD	1,289,898	0.307%
LIU MIN PTY LTD <LIUS FAMILY A/C>	886,076	0.211%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	567,896	0.135%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	542,451	0.129%
H R CONSULTANT INTERNATIONAL P/L	443,038	0.105%
MANMIN KANG	434,937	0.103%
MS SUN JING	404,546	0.096%
MS SUN YUAN	352,404	0.084%
MS SUN JING	343,531	0.082%
MIN ZHU	339,241	0.081%
MR CHENGDONG ZHOU	322,001	0.077%
Total Securities of Top 20 Holdings	413,040,381	98.260%
Total of Securities	**420,356,644**	

Dongfang Modern Agriculture Holding Group Limited
Substantial shareholders

Name	No. of shares	%
Hongwei CAI	263,165,994	62.61%

CORPORATE DIRECTORY

Directors	Hongwei Cai Chiu (Charles) So Ming Sing Barton Tso Dan Lin Michael Wai-Man Choi
Chief Financial Officer	Kwok Kuen (Edward) Yuen
Company Secretary	Philip Killen
Registered office	Level 12, 225 George Street, Sydney NSW 2000
Principal place of business	Level 18, 12 Creek Street, Brisbane QLD 4000 Telephone: +61 (7) 3229 1633 Email: enquiry@dfm.net.au
Share Registry	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: +61 2 9290 9664
Auditor	PKF(NS) Audit & Assurance Limited Partnership Level 8, 1 O'Connell Street Sydney NSW 2000 Australia GPO Box 5446 Sydney NSW 2001
Australian Lawyers	Piper Alderman Level 23, Governor Macquarie Tower 1 Farrer Place SYDNEY NSW 2000
Bankers	ANZ Level 17, 242 Pitt Street Sydney, NSW 2000
ASX Code	DFM – Fully Paid Ordinary ("FPO") Shares
Website	www.dfm.net.au
ACN	604 659 270

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