

## Dongfang Modern NPAT \$89.7 million

Leading Chinese agricultural producer, Dongfang Modern Agriculture Holding Group Limited (ASX:DFM), today announced another year of record revenue for the full year ended 31 December 2018. Revenue for the year was RMB 1.173 billion (A\$244.9 million), up 10.4% from RMB 1.063 billion (A\$221.8 million) in the previous year, reflecting continued strong demand for the company’s camellia, navel oranges, tangerines and pomelo.

Net profit after tax was RMB 430 million (A\$89.7 million), down 8.0% from RMB 467 million (A\$97.5million) in the previous year, reflecting lower productivity of recently acquired orchards and financing costs associated with the company’s acquisition strategy, including the acquisition of Bio Health Pharmaceuticals Pty Ltd.

Commenting on the result, Executive Chairman Hongwei Cai said that the company achieved a seventh consecutive record harvest, reflecting the acquisition of a 526-hectare camellia plantation and a 354-hectare navel orange plantation in 2018. The company sold 283,734 tonnes of fruit and camellia products, up 7% from 265,496 tonnes in the previous year. Delivery prices for 2018 were in line with 2017 prices.

“This was a solid result. Excluding the impact of recent orchard acquisitions, our crop was in line with last year’s for all harvests. We have not yet achieved the full benefit of our new navel orange and camellia orchards and anticipate our cultivation techniques will increase their yield in future harvests, strengthening margins.

“Our primary strategy remains to aggregate orchards within China’s agricultural sector, and today we operate plantations on 11,641 hectares of land in the Ganzhou Special Citrus Zone which is acknowledged for producing high-quality citrus products.”

<b>Results summary - full year to 31 December*</b>	<b>2018 (A\$)</b>	<b>2017 (A\$)</b>	<b>2018 (RMB)</b>	<b>2017 (RMB)</b>	<b>% Increase in RMB</b>
Revenue (m)	244.9	221.8	1,173.4	1,062.8	10.4
Profit after income tax (m)	89.7	97.5	430.0	467.1	(8.0)
Basic EPS (cents)	21.3	24.1	102	116	(12.0)

\* This results announcement is based on the RMB figures and, for the ease of the reader, supplemented by Australian Dollars (“AUD”), all translated at RMB4.791545: AUD1, the exchange rate on 22 February 2019 as quoted on the www.ofx.com. Excludes profit attributable to minority investors in Bio Health Pharmaceuticals Pty Ltd.

Hongwei Cai continued: “The board remains focused on growth and has decided not to declare a dividend for the 2018 year. Reinvesting the dividend in our business will enable us to take advantage of the significant opportunities in both Chinese orchards and the health supplements market, and we expect continued revenue growth. Further investment in orchards and Bio Health’s new site facilities are expected to occur this year.”

During the year the group obtained an AUD50 million debt facility which was used in part to fund acquisition of a 70% interest in Bio Health, an Australian company with a Therapeutic Goods Administration (TGA) licence, enabling Dongfang to enter the high-margin, high-growth, health supplements market.

The group's plans to diversify into the health supplements sector progressed, with the company moving into a new manufacturing site of approximately 4,800 square metres in Huntingwood, Sydney. This new state of the art manufacturing facility, which is expected to begin production in the second half of 2019, will treble BioHealth's production capacity.

Relocation to modern, high-technology facilities will enable Bio Health to substantially grow its existing health supplements business, as well as potentially diversify into manufacturing pharmaceutical grade products. This sector is experiencing a fast rate of growth with the Australian complementary medicine industry achieving a growth of \$2.0 billion over 2013-2017, and the vitamin and dietary supplement category doubling over ten years to \$2.8 billion<sup>1</sup>.

This sector is strongly export focused, with over 60% of Australian complementary medicine companies involved in exporting. Dongfang anticipates that its connections and sales network will open up opportunities to capitalise on the booming \$41 billion Chinese health supplements market, which is forecast to grow 10% year-on-year between 2015 and 2025.

### Outlook

Dongfang continues to focus on organic growth through production and yield improvements in its Chinese orchards and the launch of new health supplements products through the Bio Health business. The company continues to assess further growth opportunities through acquiring plantations in China.

Dongfang expects a further increase in revenue in 2019.

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### **About Dongfang Modern**

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

In 2018, the company sold more than 280,000 tonnes of fruit and camellia products, generating revenue of A\$244.9 million, net profit of A\$89.7 million, and operating margins in excess of 45%. The group's plantations today span 11,641 hectares.

Formed in 2009, the company has grown each year, benefitting from China's favourable taxation incentives for agribusiness companies. In April 2018, Dongfang Modern entered the health supplements market through the acquisition of Australia-based Bio Health Pharmaceuticals.

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<sup>1</sup> Australian Complementary Medicines Industry Snapshot 2018, Complementary Medicines Australia.

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

Appendix 4E

PRELIMINARY FINAL REPORT FOR  
THE YEAR ENDED 31 DECEMBER 2018

1. **Details of the Reporting Period**

Current period: Year ended 31 December 2018

Previous period: Year ended 31 December 2017

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

The Group operates mainly in the People's Republic of China (the "PRC") and most of its transactions are denominated in Renminbi ("RMB"). The results announcement is based on the RMB figures and, for the ease of reader, supplemented by Australian Dollars ("AUD") translated at RMB4.791545 : AUD1, the exchange rate on 22 February 2019 as quoted on the [www.ofx.com](http://www.ofx.com).

		% Change		RMB'000	AUD'000	
2.1	Revenue from ordinary activities	up	10.41%	to	1,173,387	244,887
2.2	Profit from ordinary activities after tax attributable to members	down	7.95%	to	430,013	89,743
2.3	Net profit for the year attributable to members	down	7.95%	to	430,013	89,743

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

Nil

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

N/A

- 2.6 Revenue increased by 10.41% as the Group acquired more plantations bases during the year hence increased the volume of harvest.

Profit attributable to members decreased by 7.95% primarily due to substantial increase in finance costs of RMB22,782,000.

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

For the year ended 31 December 2018

	2018 RMB '000	2017 RMB '000
Revenue	1,173,387	1,062,767
Cost of sales	(686,416)	(582,387)
Gross profit	486,971	480,380
Other income	4,559	1,253
Administrative expenses	(39,165)	(14,482)
	<b>452,365</b>	<b>467,151</b>
Finance costs	(22,782)	(12)
<b>Profit before income tax</b>	<b>429,583</b>	<b>467,139</b>
Income tax credit	2,277	-
<b>Profit for the year</b>	<b>431,860</b>	<b>467,139</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	18,102	(10,961)
<b>Other comprehensive income for the year, net of tax</b>	<b>18,102</b>	<b>(10,961)</b>
<b>Total comprehensive income for the period</b>	<b>448,115</b>	<b>456,178</b>

<b>Net profit attributable to:</b>		
The owners of the Company	430,013	467,139
Non-controlling interest	1,847	-
	<b>431,860</b>	<b>467,139</b>

<b>Total comprehensive income attributable to:</b>		
The owners of the Company	446,238	456,178
Non-controlling interest	1,877	-
	<b>448,115</b>	<b>456,178</b>

<b>Earnings per share</b>		
Basic	RMB1.02	RMB1.16

## 4. Consolidated Statement of Financial Position

As at 31 December 2018

	31-Dec-18 RMB '000	31-Dec-17 RMB '000
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	396,205	381,968
Trade and other receivables	614,800	540,920
Inventory	3,797	-
Deferred expenses	128,078	103,528
Current assets	1,142,880	1,026,416
<b>Non-current</b>		
Goodwill	34,105	-
Intangible assets	90,785	-
Property, plant and equipment	6,672	1,208
Bearer plants	1,994,136	1,631,268
Deposits for capital expenditure	35,983	-
Deferred expenses	51,729	103,458
Non-current assets	2,213,410	1,735,934
<b>Total assets</b>	<b>3,356,290</b>	<b>2,762,350</b>

	31-Dec-18 RMB '000	31-Dec-17 RMB '000
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	186,870	262,206
Amount due to a shareholder	-	68,535
Current portion of obligation under finance lease	1,066	82
Income tax payable	10,200	10,200
Current liabilities	198,136	341,023
<b>Non-current</b>		
Bank borrowings	235,693	-
Obligation under finance lease	2,276	335
Deferred tax liabilities	26,453	-
Non-current liabilities	264,422	335
<b>Total liabilities</b>	<b>462,558</b>	<b>341,358</b>
<b>Net assets</b>	<b>2,893,732</b>	<b>2,420,992</b>
<b>Equity</b>		
Share capital	309,708	309,708
Reserves	83,617	65,545
Retained earnings	2,475,752	2,045,739
<b>Equity attributable to owners of the Company</b>	<b>2,869,077</b>	<b>2,420,992</b>
Non-controlling interest	24,655	-
<b>Total equity</b>	<b>2,893,732</b>	<b>2,420,992</b>

## 5. Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB '000	2017 RMB '000
<b>Operating activities</b>			
Profit before income tax		429,583	467,139
Depreciation and amortisation		86,485	67,941
Interest expense		22,782	12
Interest income		(440)	(1,034)
Operating profit before changes in working capital		538,410	534,058
Deferred expense		27,179	(72,378)
Trade and other receivables		(71,264)	(78,333)
Inventory		(1,990)	-
Trade and other payables		16,489	4,761
Cash generated from operations		508,824	388,108
Interest received		440	1,034
Income tax paid		(294)	-
Net cash from operating activities		508,970	389,142
<b>Investing activities</b>			
<b>Acquisition of a subsidiary, net of cash acquired</b>		(85,272)	-
Payment for purchase of harvest plants and property, plant and equipment		(349)	(388,616)
Expenditure for intangible asset		(2,607)	-
Payment for acquisition of bearer plant		(558,905)	-
Net cash used in investing activities		(647,133)	(388,616)
<b>Financing activities</b>			
<b>Loan proceeds</b>		233,562	-
(Repayment to)/Advance from a shareholder		(68,535)	9,188
Loan interest paid		(22,759)	-
Dividend paid		-	(1,669)
Finance lease payments		(296)	(90)
Net cash from financing activities		141,972	7,429
<b>Net change in cash and cash equivalents</b>		<b>3,809</b>	<b>7,955</b>
Cash and cash equivalents, beginning of year		381,968	376,254
Exchange differences on cash and cash equivalents		10,428	(2,241)
<b>Cash and cash equivalents, end of year</b>		<b>396,205</b>	<b>381,968</b>

## 6. Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital RMB 000's	Statutory reserve RMB 000's	Capital reserve RMB 000's	Exchange reserve RMB 000's	Retained earnings RMB 000's	Total equity attributable to owner of the Company RMB 000's	Non-controlling interest RMB 000's	Total equity RMB 000's
<b>Balance at 1 January 2017</b>	<b>208,502</b>	<b>20,321</b>	<b>40,642</b>	<b>15,543</b>	<b>1,682,477</b>	<b>1,967,485</b>	-	<b>1,967,485</b>
Dividend	-	-	-	-	(103,877)	(103,877)	-	(103,877)
Shares issued under dividend reinvestment plan	101,206	-	-	-	-	101,206	-	101,206
Transactions with owners	101,206	-	-	-	(103,877)	(2,671)	-	(2,671)
Profit for the year	-	-	-	-	467,139	467,139	-	467,139
Other comprehensive income	-	-	-	(10,961)	-	(10,961)	-	(10,961)
Total comprehensive income for the year	-	-	-	(10,961)	467,139	456,178	-	456,178
<b>Balance at 31 December 2017</b>	<b>309,708</b>	<b>20,321</b>	<b>40,642</b>	<b>4,582</b>	<b>2,045,739</b>	<b>2,420,992</b>	-	<b>2,420,992</b>
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	<b>22,778</b>	22,778
<b>Transactions with owners</b>	-	-	-	-	-	-	<b>22,778</b>	22,778
Profit for the year	-	-	-	-	430,013	430,013	<b>1,847</b>	431,860
Other comprehensive income	-	-	-	18,072	-	18,072	<b>30</b>	18,102
Total comprehensive income for the year	-	-	-	18,072	430,013	448,085	<b>1,877</b>	449,962
<b>Balance at 31 December 2018</b>	<b>309,708</b>	<b>20,321</b>	<b>40,642</b>	<b>22,654</b>	<b>2,475,752</b>	<b>2,869,077</b>	<b>24,655</b>	<b>2,893,732</b>

**7. Details of Dividend Reinvestment Plans**

N/A

**8. Net Tangible Assets**

	31/12/2018		31/12/2017	
	RMB	AUD	RMB	AUD
Net tangible asset backing per ordinary share	6.88	1.44	5.99	1.25

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

Control gain: Bio Health Pharmaceuticals Pty Limited

Control lost: Nil

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

Not applicable.

**11. Other Significant Information**

Not applicable.

**12. Foreign Entity Accounting Standards**

Not Applicable.

**13. Commentary on Results**

Refer to the results announcement.

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

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

Yours faithfully,



Hongwei Cai  
Executive Chairman  
28 Feb 2019