Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd.

Financial Report

Half year ended 30 June 2016

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Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd.
Statement of profit or loss and other comprehensive income
For the half year ended 30 June 2016

	Note	Consolidated Half year ended 30 June 2016 $	Consolidated Half year ended 30 June 2015 $
Revenue from continuing operations	4	17,538,621	14,790,975
Share of profits from interests in associate accounted for using the equity method	9	37,602	48,543
Expenses			
Costs of sales		(16,035,815)	(13,581,538)
Administration expenses		(369,795)	(515,404)
Sales expenses		(235,550)	(245,524)
Other expenses		(1,235)	(1,791)
Interest expenses		(215,493)	(25,261)
Profit before income tax expense		718,335	470,000
Income tax expense		-	-
Profit for the period from continuing operations		718,335	470,000
Discontinued operations			
Profit for the period from discontinued operations	13	-	109,277
Profit for the period		718,335	579,277
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(1,121,622)	895,455
Share of the associate's other comprehensive income		(167,728)	(3,454)
Other comprehensive income for the period, net of tax		(1,289,350)	892,001
Total comprehensive income for the period		(571,015)	1,471,278

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd.
Statement of financial position
As at 30 June 2016

	Note	Consolidated 30 June 2016 $	Consolidated 31 December 2015 $
Assets			
Current assets			
Cash and cash equivalents		6,941,656	16,663
Trade and other receivables	5	3,725,405	8,189,405
Prepayments	6	3,376,698	384,433
Inventories		10,324	3,920
Biological assets		872,446	2,840,012
Total current assets		14,926,529	11,434,433
Non-current assets			
Property, plant and equipment	7	13,174,451	11,767,878
Prepaid lease assets	8	2,691,438	465,493
Investment accounted for using the equity method	9	3,986,194	4,280,556
Intangible assets		56,151	55,642
Total non-current assets		19,908,234	16,569,569
Total assets		34,834,763	28,004,002
Liabilities			
Current liabilities			
Trade and other payables		582,536	3,367,172
Borrowings	10	4,730,058	704,885
Total current liabilities		5,312,594	4,072,057
Non-current Liabilities			
Other payables		10,368	419,933
Deferred revenue		256,245	277,030
Total non-current liabilities		266,613	696,963
Total liabilities		5,579,207	4,769,020
Net assets		29,255,556	23,234,982
Equity			
Contributed equity		20,822,999	14,185,874
Foreign currency translation reserve		1,196,692	2,486,042
Share-based payment reserve		632,162	677,698
Retained earnings		6,603,703	5,885,368
Total equity		29,255,556	23,234,982

The above statement of financial position should be read in conjunction with the accompanying notes

Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd.
Statement of changes in equity
For the half year ended 30 June 2016

Consolidated	**Contributed Equity $**	**Foreign Currency translation reserve $**	**Share-based payment reserve $**	**Retained earnings $**	**Total Equity $**
Balance at 1 January 2016	14,185,874	2,486,042	677,698	5,885,368	23,234,982
Profit for the period	-	-	-	718,335	718,335
Other comprehensive income for the period	-	(1,289,350)	-	-	(1,289,350)
	-	(1,289,350)	-	718,335	(571,015)
Total comprehensive income for the period					
Transactions with owners in their capacity as owners:					
Capital contribution	6,637,125	-	-	-	6,637,125
Share-based payments	-	-	(45,536)	-	(45,536)
Balance at 30 June 2016	20,822,999	1,196,692	632,162	6,603,703	29,255,556

Consolidated	**Contributed Equity $**	**Foreign Currency translation reserve $**	**Share-based payment reserves $**	**Retained earnings $**	**Total Equity $**
Balance at 1 January 2015	8,670,344	2,251,309	118,124	4,032,063	15,071,840
Profit for the period	-	-	-	579,277	579,277
Other comprehensive income for the period	-	892,001	-	-	892,001
Total comprehensive income for the period	-	892,001	-	579,277	1,471,278
Transactions with owners in their capacity as owners:					
Capital contribution	1,886,527	-	-	-	1,886,527
Share-based payments	-	-	269,092	-	269,092
Balance at 30 June 2015	10,556,871	3,143,310	387,216	4,611,340	18,698,737

The above statement of changes in equity should be read in conjunction with the accompanying notes

Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd.
Statement of cash flows
For the half year ended 30 June 2016

	Consolidated	
	Half-year ended 30 June 2016 $	Half-year ended 30 June 2015 $
Cash flows from operating activities		
Receipts from customers (inclusive of sales taxes)	16,759,742	16,916,422
Payments to suppliers (inclusive of input taxes)	(17,452,363)	(17,735,006)
Interest paid	(127,114)	(25,309)
Income tax paid	-	(15,622)
Net cash used in operating activities	(819,735)	(859,515)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,339,198)	(732,352)
Loan to associate entity	(3,212,219)	-
Repayments from associate entity	1,860,239	-
Payments for leased assets	(2,361,899)	-
Proceeds from sales of subsidiaries	4,191,210	-
Net cash used in investing activities	(2,861,867)	(732,352)
Cash flows from financing activities		
Proceeds from capital contribution	6,637,125	1,886,527
Proceeds from borrowings	4,587,394	410,741
Repayments of borrowings	(417,036)	(718,795)
Net cash generated from financing activities	10,807,483	1,578,473
Net increase/(decrease) in cash and cash equivalents	7,125,881	(13,394)
Cash and cash equivalents at the beginning of the period	16,663	35,724
Effects of exchange rate changes on cash and cash equivalents	(200,888)	1,712
Cash and cash equivalents at the end of the period	6,941,656	24,042

The above statement of financial position should be read in conjunction with the accompanying notes

Note 1. Corporate information

The consolidated financial statements of Qingzhou JiaJiaFu Modern Agriculture Group Co. Ltd ("the Company") and its subsidiaries for the half-year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors as at the date of this report. The subsidiary is Qingzhou JiaJiaFu Outsourcing Services Co., Ltd. The Company and its subsidiary together are referred to in these financial statements as the consolidated entity. All entities within the consolidated entity were incorporated in the People's Republic of China.

The principal activity of the consolidated entity during this half-year include:
-growing and sales of agricultural produce (i.e. vegetables); and
-sourcing of agriculture products.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 30 June 2016 have been prepared in accordance with requirements of Australian Accounting Standard AASB 134: Interim Financial Reporting. The consolidated entity is a for-profit entity.

This interim financial report is intended to provide users with an update on the latest financial statements of the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 31 December 2015.

These interim financial statements were authorised for issue on the date of this interim report.

Going concern
As at 30 June 2016, the consolidated entity has an external borrowing balance of $4,053,177 from Shanghai Pudong Development Bank which is due for repayment on 26 January 2017. The ability of the consolidated entity to continue as a going concern is dependent on the consolidated entity successfully generating sufficient operating cash flows from its continuing operations for its working capital purposes including repayment of bank borrowings as and when they fall due.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The consolidated entity had $6,941,656 as cash and cash equivalents as at 30 June 2016;
- The consolidated entity has approximately $3,200,000 as cash and cash equivalents as at 31 October 2016;
- The consolidated entity has a track record of generating profits and is forecasting profits and cash generation from its continuing operations as per the budgets prepared;
- The consolidated entity's results for the 4 month period ended 31 October 2016 are tracking positively in achieving approximately $1,000,000 of profits before tax;
- The consolidated entity has approximately $4,500,000 as cash and cash equivalents as at 25 November 2016;
- The consolidated entity has a track record of obtaining and renegotiating bank borrowing facilities in prior periods and the ability to repay the facilities as and when they fall due; and
- The consolidated entity is confident of rolling over the bank borrowing facility from Shanghai Pudong Development Bank.

The directors have prepared budgets which demonstrate that based on the above factors, the consolidated entity has sufficient funds available to meet its commitments for at least twelve months from the date of signing this report.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for biological assets, which are measured at fair value at each balance date.

Basis of preparation (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 and the results of all subsidiaries for the half year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars. The functional currency of the consolidated entity is Chinese Yuan Renminbi (“RMB”).

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue recognition (continued)
Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Rendering of services revenue from construction of greenhouses is recognised by reference to the stage of completion of the contracts.

Interest
Interest is recognised as revenue using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

Biological assets
Biological assets comprise vegetables that are to be harvested. The biological assets start with preparation of land for planting seedlings and end with the harvesting of crops in the form of mature vegetables. Thereafter, mature vegetables are directly sold to the market located nearby. Consistent with this process, the fair value of vegetables is determined using the market approach by reference to the active market price, estimated agriculture produce and reasonable costs to sell. The active market price is based on the average historical selling price. The estimated agriculture produce used to derive the fair value is derived by the yield subsequent to the balance date. And the costs to sell include the incremental selling costs, mainly including sales rebates and other promotion expenses.

Changes in fair value of vegetables are recognised in cost of sales. Farming costs, such as farmland rental, labour costs fertilisers and pesticides, and appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity are capitalised as part of biological assets.

Inventories
Raw materials are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Associates
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Buildings and plant facilities	5-50 years
Green house	5-20 years
Leasehold improvement	Over the lease term
Office and other equipment	3-10 years
Motor vehicles	8-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The method and useful lives of finite life intangible assets are reviewed annually.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intellectual property
Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being the remaining term of the licence.

Prepaid lease assets
Prepaid rental of buildings
The consolidated entity prepaid rental to lease buildings located in villages in China. The prepaid rental are amortised using the straight-line method over the lease term, which is 50 years according to the lease contract.

Prepaid rental of farmland
The consolidated entity prepaid rental to lease farmland located in Bing Zhou, a city in China, with a lease term of 13 years. The prepaid rental are amortised throughout the lease term using the straight-line method.

Impairment of non-financial assets
Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Government grant
Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Share-based payments
The consolidated entity receives services from external parties for considerations that are paid for by equity instruments issued by the consolidated entity.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair value of service received is recognised as an expense when incurred, with a corresponding credit to share-based payment reserve in the consolidated entity’s accounts.

Capital equity
Contributed equity relates to capital contribution from investors.

Chinese Value Added Tax ("VAT") and Business Tax (“BT”)
According to Chinese tax regulations, agriculture products are exempted from VAT. Since all goods sold by the consolidated entity are agriculture products, the sales of goods of the consolidated entity are not subject to VAT.

Construction service revenue is subject to BT. Revenues are recognised including the amount of BT and BT is recognised as expense. The amount of BT incurred is not recoverable from the local tax office. In these circumstances, BT is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the half year ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2019. The standard eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life prepaid lease assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold are written off or written down.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

Fair value of biological assets
The fair value of biological assets is determined by using valuation techniques. The valuation expert employed by the consolidated entity uses management's judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The consolidated entity has used market approach and adjusted cash flow analysis for immature vegetable.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recognition of buildings with pending legal title ownership
The consolidated entity has recognised buildings with pending legal title ownership as property, plant and equipment. The recognition is on the basis that the consolidated entity has entered into legally binding sales and purchase contracts for these buildings thus having the rights to the use of these assets as well as the consolidated entity's current use of these assets to generate future economic benefits, and the expectation of the consolidated entity receiving the legal title ownership from the relevant authority within a 6 to 12 month period from the date of this financial report.

Note 4. Revenue

	Consolidated	
	Half-year ended 30 June 2016 $	Half-year ended 30 June 2015 $
Sales revenue		
Sales of goods	17,524,390	14,750,260
	17,524,390	14,750,260
Other revenue		
Government grants	14,231	40,715
	14,231	40,715
Total revenue	17,538,621	14,790,975

Note 5. Current assets - trade and other receivables

	Consolidated	
	30 June 2016 $	31 December 2015 $
Trade receivables	2,021,757	1,331,493
Other receivables		
Deposits (i)	-	2,185,145
Receivables from disposal of subsidiaries (note 13)	194,857	4,444,892
Loan due from associate entity (note 12)	1,486,454	179,598
Others	22,337	48,277
	1,703,648	6,857,912
	3,725,405	8,189,405

(i) In 2015, the consolidated entity paid RMB 10,354,000 (equivalent to $2,185,145) as deposits to acquire land use rights and buildings located in Donggao Town Qingzhou, China. However, in June 2016, due to ownership issues, the consolidated entity cancelled the contract with its vendor. As at the date of this report, the consolidated entity has collected all deposits made.

Note 6. Current assets – Prepayments

	Consolidated	
	30 June 2016 $	31 December 2015 $
Purchase of goods (i)	2,931,939	-
Prepaid transaction costs in relation to potential IPO	301,454	187,869
Prepaid financial advisory service fee	143,305	180,014
Others	-	16,550
	3,376,698	384,433

(i) On 3 February 2016, the consolidated entity entered into a contract with the vendor to purchase fertiliser of RMB 20 million equivalent to $4,053,177, which was paid on 27 January 2016. As at 30 June 2016, $ 2,843,965 of fertilisers was yet to be received, hence representing a prepayment. As at the date of this report, all fertilisers have been received, consumed or sold.

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	30 June 2016 $	31 December 2015 $
Buildings & Plant facilities - at cost	4,932,993	5,079,958
Less: Accumulated depreciation	(1,529,635)	(1,326,649)
	3,403,358	3,753,309
Green House – at cost	8,979,563	9,351,074
Less: Accumulated depreciation	(1,906,564)	(1,747,458)
	7,072,999	7,603,616
Office and Other Equipment – at cost	101,814	161,614
Less: Accumulated depreciation	(41,208)	(39,626)
	60,606	121,988
Motor Vehicles – at cost	294,903	313,820
Less: Accumulated depreciation	(36,630)	(24,855)
	258,273	288,965
Construction in progress	2,379,215	-
	13,174,451	11,767,878

Included in Buildings & Plant Facilities are buildings with a net carrying value of $1,547,087 as at 30 June 2016 and $1,734,203 as at 31 December 2015 with pending legal title ownership to the consolidated entity. Refer note 3 for details on the basis of recognition.

Note 8. Non-current assets – prepaid lease assets

	Consolidated	
	30 June 2016 $	31 December 2015 $
Prepaid lease of buildings and fixtures - at cost	1,267,341	506,919
Less: accumulated amortisation	(56,871)	(41,426)
Prepaid rental of farmland – at cost	1,519,942	-
Less: accumulated amortisation	(38,974)	-
	2,691,438	465,493

Note 9. Non-Current assets – Investments accounted for using the equity method

	Consolidated	
	30 June 2016	**31 December 2015**
	$	**$**
Investments – at cost	3,832,280	3,990,831
Share of the associate's comprehensive income		
- Share of profit after income tax	148,406	116,489
- Share of other comprehensive income	5,508	173,236
	3,986,194	4,280,556

Information relating to the associate entity is set out below.

Name of Company	Country of incorporation	Nature of relationship	Measurement method	Ownership interest (i)	
				30 June 2016	**31 December 2015**
Qingzhou Jiajiafu Fruits and Vegetables Professional Cooperative ("The Cooperative")	People's Republic of China	Associate	Equity method	11.33%	11.33%

According to the constitution of the Cooperative, its retained earnings shall be appropriated to its statutory reserve of up to 20% of the net profit for the year. 65% of the remaining unappropriated profit will be returned to the members of the Cooperative in proportion to the transaction amount between the Cooperative and its members during the year. The remaining 35% of the unappropriated profits can be distributed to the Cooperative's investors based on their interest into the Cooperative. In this case, the consolidated entity can share 5.44% of the Cooperative's net profit for the half-year ended 30 June 2016 (i.e. 5.44% for the year 2015). The Cooperative has not declared any profit distribution during the half-year ended 30 June 2016 and 30 June 2015. As disclosed in the interim financial report, the consolidated entity has recognised an aggregated share of net profit from the Cooperative amounting to $37,602 for the half-year ended 31 December 2016 (for the half-year ended 31 December 2015: $48,543).

Note 10. Current liabilities - borrowings

	Consolidated	
	30 June 2016	**31 December 2015**
	$	**$**
Bank of Weifang (i)	405,318	422,087
BOC Fudeng Village Bank (ii)	271,563	282,798
Shanghai Pudong Development Bank (iii)	4,053,177	-
	4,730,058	704,885

(i) The unsecured loan from Bank of Weifang of RMB 2 million (equivalent to $405,318) matures on 18 April 2017 with a fixed interest rate of 8.7% per annum.

(ii) Bank facilities from BOC Fudeng Village Bank of RMB 1.34 million (equivalent to $271,563) matured on 15 July 2016 with a fixed interest rate of 9% per annum. Seven individuals comprising four owners and three external individuals provided a loan guarantee to the consolidated entity. In addition, two other owners, Mr. Li, CEO and Director of the consolidated entity and his wife, and two external individuals pledged their personal assets for this loan. This loan has been fully repaid as at the date of this report.

(iii) On 26 January 2016, the consolidated entity received a loan of RMB 20,000,000 equivalent to $4,053,177 from Shanghai Pudong Development Bank ("SPDB") with an annual interest rate of 6.525%. The loan will mature on 26 January 2017. This loan is guaranteed by Mr. Li, CEO and Director of the consolidated entity, personally and a Chinese state-owned company.

Note 11. Equity – dividends

No dividend was declared or paid in the half year ended 30 June 2016 (the half year ended 30 June 2015: nil).

Note 12. Related party transactions

Parent entity
Qingzhou JiaJiaFu Modern Agriculture Group Co. Ltd is the parent entity.

Subsidiaries
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 2:

		Ownership interest		
Name	**Principal place of business / Country of incorporation**	**30/06/2016 %**	**31/12/2015 %**	**30/06/2015 %**
Qingzhou JiaJiaFu Outsourcing Service Co., Ltd. (i)	People's Republic of China	65	65	65
Qingzhou JiaJiaFu Fruit & Vegetable Supermarket Co., Ltd.(ii)	People's Republic of China	-	-	100
Qingzhou Huifeng Green House Material Co., Ltd. (ii)	People's Republic of China	-	-	100
Qingzhou JiaJiaFu Agriculture Supermarket Co., Ltd. (ii)	People's Republic of China	-	-	100

(i) The subsidiary was incorporated in the People's Republic of China in May 2015 which has no operations and remains dormant as at 30 June 2016.
(ii) These subsidiaries were disposed of in July 2015. The details of these disposed operations are disclosed in note 11.

Associates
Interests in an associate are set out in note 7.

Key management personnel
The following persons were key management personnel of Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd. during the period:

Qingkai Li	Director and Chief Executive Officer ("CEO")
Xiaozeng Zhou	Director
Da Li	Director
Lan Liu	Director and Chief Finance Officer ("CFO")
Fei Tian	Director and General Manager ("GM")
Huazhi Liu	Director
Meiqing Yuan	Director
Jing Yang	Director

Other related party
Ms. Zhihong Gao is the CEO's wife.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated $ Half-year ended 30 June 2016	**Consolidated $ Half-year ended 30 June 2015**
Payment for the use of trademark owned by the associate	1,043	1,068

Note 12. Related party transactions (continued)

Transactions with related parties (continued)

Mr. Qingkai Li, CEO and director, and his wife, Ms. Zhihong Gao, pledged their own assets and provided a loan guarantee to BOC Fudeng Village Bank for loan facilities of RMB 1.34 million (equivalent to $271,563).

Ms. Zhihong Gao owns 35% interest of Qingzhou JiaJiaFu Outsourcing Service Co., Ltd., a subsidiary of the Company.

In April 2016, the consolidated entity lent RMB 7,334,759 equivalent to $1,359,980 to the Cooperative, its associate. The loan matures on 31 December 2016 with a flat annual interest rate of 7.2%.

On 31 March 2016 and 30 April 2016, the consolidated entity lent RMB 8 million equivalent to $ 1,621,271 to Mr. Qingkai Li, CEO and director, which has been refunded on 1 April 2016 and 1 May 2016 respectively. The loan was interest-bearing with an annual interest rate of 6.6%.

Amount due from/to related parties

The following balances are outstanding loans provided by related parties at the reporting date:

	Consolidated **$** **30 June 2016**	**Consolidated** **$** **31 December 2015**
Loans due to Mr. Qingkai Li ("CEO")	10,481	1,974,260
Loans due from associate entity	1,486,454	179,598
Payables due to associate entity	-	6,331

Terms and conditions

All related party transactions in the half year ended 30 June 2016 were made on normal commercial terms and conditions.

Note 13. Discontinued operations

Description
On 1 July 2015 the consolidated entity disposed of Qingzhou JiaJiaFu Fruit & Vegetable Supermarket Co., Ltd., Qingzhou Huifeng Green House Material Co. Ltd. and Qingzhou JiaJiaFu Agriculture Supermarket Co. Ltd., subsidiaries of Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd., for a cash consideration of RMB 21,061,500 equivalent to $ 4,497,303.

The disposal of these three subsidiaries is a part of the consolidated entity's restructuring plan in order to optimise its current business process and to focus on its activities in production and wholesale of agriculture products.

The disposals were completed on 1 July 2015, on which date control of these three subsidiaries was passed to the acquirer. The cash consideration was due in September 2016, and as at the date of this report, the consolidated entity has collected all proceeds.

The combined results of the discontinued operations (i.e. the three subsidiaries) included in the profit for the half year ended 30 June 2015 are set out below.

Financial performance information

	Consolidated Half-year ended 30 June 2015 $
Revenue	1,726,499
Cost of sales	(1,542,639)
Expenses	(58,961)
Profit before tax	124,899
Attributable income tax expense	(15,622)
Profit after income tax expense	109,277
Gains on disposal after income tax expense	-
Profit after income tax expense from discontinued operations	109,277

Cash flow information

	Consolidated Half-year ended 30 June 2015 $
Net cash generated from operating activities	37,545
Net cash (used in) investing activities	(41,074)
Net (decrease) in cash and cash equivalents from discontinued operations	(3,529)

Note 14. Events after the reporting period

On 5 September 2016, the consolidated entity entered into contract with the vendor to purchase fertiliser of RMB 1.2 million equivalent to $ 243,191. As at the date of report, the consolidated entity has made full payment and fertilisers have all been received.

On 1 September 2016, the consolidated entity purchased seeds of dandelion for RMB 1.5 million equivalent to $303,988 from its vendor. As at the date of this report, the consolidated entity has made full payment and received all raw materials purchased.

Other than the above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Contingencies

The consolidated entity has no contingent liabilities as at 30 June 2016 (31 December 2015: nil).

Note 16. Capital commitment

On 17 June 2016 and 20 June 2016, the consolidated entity purchased 60 greenhouses from two vendors, 30 from each. The total acquisition cost was RMB 17,614,800 equivalent to $ 3,569,796. As at the date of report, the consolidated entity has made full payment and greenhouses have been received.

Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd.
Directors' declaration
For the half-year ended 30 June 2016

In accordance with a resolution of the directors of Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd., the directors of the consolidated entity declare that:

1. The financial statements and notes, as set out on pages 2 to 20:

- comply with Accounting Standard AASB 134: Interim Financial Reporting; and
- give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors

李庆凯

Director
Qingkai Li
29 November 2016

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd

Report on the Half Year Financial Report

We have audited the accompanying half year financial report of Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and directors' declaration of the consolidated entity comprising the entity and the entities it controlled at the half year's end or from time to time during the half-year.

Directors' Responsibility for the Half Year Financial Report

The directors are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards, and for such internal control as directors determine is necessary to enable the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the half year financial report based on our audit. 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 half year financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the half year financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the half year financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the half year financial report 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. 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 half year financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the half year financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2016, and its financial performance and cash flows for the half year then ended in accordance with Australian Accounting Standards.

Emphasis of Matter

We draw attention to Note 3 and Note 7 to the financial statements, which describe the circumstances to support the consolidated entity's recognition of property, plant and equipment where legal title is pending. Our opinion is not modified in respect of this matter.

Restriction on Distribution and Use

The half year financial report is prepared for use by the directors of Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd in connection with the disclosure of its financial information in a prospectus to be issued by Jiajiafu Modern Agriculture Limited. Jiajiafu Modern Agriculture Limited is the ultimate holding entity of Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd. As a result, the half year financial report may not be suitable for another purpose. Our report is intended solely for the directors of Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd and should not be distributed to or used by parties other than Qingzhou JiaJiaFu Modern Agriculture Group Co., Ltd or its directors.

BDO East Coast Partnership

BDO

Wai AW
Partner

Melbourne, 29 November 2016