JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES

ABN 82 607 739 159

HALF-YEAR FINANCIAL REPORT

ENDED 31 DECEMBER 2016

家家富现代农业
Jiajiafu Modern Agriculture

Contents

Directors' Report

The Directors of Jiajiafu Modern Agriculture Limited ('the Company') present their report together with the financial statements of the Group, being the Company and its controlled entities for the half-year ended 31 December 2016.

Director details

The following persons were Directors of the Company during or since the end of the financial half-year:

- Mr Qingkai Li (appointed on 24 August 2015)
- Mr Wenyuan Zhao (appointed on 15 January 2016)
- Mr Chen Chik Ong (appointed on 2 April 2016)
- Mr Yap Ting Wong (appointed on 2 April 2016)
- Mr Zhiguo Li (appointed on 10 August 2016)

Company secretary

Mr Chen Chik Ong was appointed on 6 April 2016.

Restructuring

The Company was incorporated in Australia as a public company limited by shares on 24 August 2015.

The operating subsidiary company is Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd ('JJF China').

In order to IPO on the ASX, a Group restructure, commenced in August 2015 and completed in April 2016, resulted in:

- The establishment by the Company of Jiajiafu Modern Agriculture (HK) Limited ('JJF HK');
- The acquisition by JJF HK of Ximan Packing Materials (Shenzhen) Co., Ltd. ('JJF Shenzhen'); and
- The acquisition by JJF Shenzhen of JJF China.

The restructuring constitutes a business under common control and, therefore, this financial report has been prepared as a continuation of JJF China and the financial report includes the half year of operating activities of the Group from 01 July 2016 to 31 December 2016 and the comparatives represent the activities for the half year from 01 July 2015 to 31 December 2015.

Review of operations and financial results

Commentary on half-year results

Through this report, the board of directors seeks to provide information to its shareholders and the market on the results achieved for the half year ended 31 December 2016. It should be noted that the Group's financial year runs from July to June.

The Group realised an after-tax profit from continuing operation of $2.79 million for the half year ended 31 December 2016 which increased by 351% compared to that of the half year ended 31 December 2015 (excluding discontinued operations).

The Group's cash and cash equivalents reserves as at 31 December 2016 were $6.76 million.

Corporate results summary

The Group operates a leading agribusiness in Qingzhou City, Shandong Province, China, renowned for its vertically-integrated business model and agricultural technology innovation in relation to fruit and vegetable farming, harvesting, packing, marketing, supply and distribution.

Directors' Report (continued)

Corporate results summary (continued)

Its brand is highly recognised and respected in Shandong Province, China. The Group endeavours to deliver high quality produce and to meet the needs of the market and customers through innovation. The Group has a dedicated management team with agricultural expertise and its founder is also actively involved in the day-to-day management of the Group. Operating within a strongly regulated industry sector of significant scale and with strong and continuous demand from consumers, the Group has the potential for significant future growth, both organically and through further vertical and horizontal integrations.

For this reporting period, the Group, through its wholly owned China-based subsidiaries, achieved the following:

- The Group's gross margin increase by 115% compared to that of the half year ended 31 December 2015, primarily driven by the increased margins on the vegetable produces throughout the period.
- The Group has a strong cash position of $6.76 million, to allow for expansion opportunities.
- The Group's net profit before tax (NPBT) and net profit after tax (NPAT) of $2.79 million representing an increase of 351% over the previous comparative period NPBT and NPAT of $0.62 million (excluding profit from discontinued operations);
- The Group's revenue (excluding interest received) was $18 million compared to 2015 revenue of $13 million, attributable to the growth in sales of vegetables, pesticides and fertilizers and dandelion leaves.

The Group maintains a competitive advantage through its supply of high quality produce under its well recognised brand. In addition, the Group has adequate sales channels via its annual contracts renewal with large supermarkets and wholesalers.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 3 of this financial report and forms part of this Directors Report.

Signed in accordance with a resolution of the Directors.

Director
Qingkai Li
3 March 2017

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF JIAJIAFU MODERN AGRICULTURE LIMITED

As lead auditor for the review of Jiajiafu Modern Agriculture Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Jiajiafu Modern Agriculture Limited and the entities it controlled during the period.

Wai AW
Partner

BDO East Coast Partnership

Melbourne, 3 March 2017

Jiajiafu Modern Agriculture Limited
Statement of profit or loss and other comprehensive income
For the half year ended 31 December 2016

	Note	Consolidated Half year ended 31 December 2016 $	Consolidated Half year ended 31 December 2015 $
Revenue from continuing operations	4	18,250,072	12,977,432
Share of profits from interests in associate accounted for using the equity method	11	20,816	16,711
Expenses			
Cost of sales		(14,248,891)	(11,119,831)
Administration expenses	5	(752,937)	(933,814)
Sales expenses		(206,468)	(273,151)
Other expenses		(114,892)	(591)
Interest expenses		(155,934)	(48,198)
Profit before income tax expense		2,791,766	618,558
Income tax expense		-	-
Profit for the period from continuing operations		2,791,766	618,558
Discontinued operations			
Profit for the period from discontinued operations		-	640,924
Profit for the period		2,791,766	1,259,482
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(503,070)	(52,060)
Translation reserve reclassified to profit due to the disposal of subsidiaries		-	(627,095)
Share of the associate's other comprehensive income		(77,723)	21,889
Other comprehensive income for the period, net of tax		(580,793)	(657,266)
Total comprehensive income for the period		2,210,973	602,216

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

Jiajiafu Modern Agriculture Limited
Statement of financial position
As at 31 December 2016

家家富现代农业
Jiajiafu Modern Agriculture

	Note	Consolidated 31 December 2016 $	Consolidated 30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents		6,758,066	6,941,707
Trade and other receivables	6	1,827,963	3,724,105
Prepayments	7	605,653	3,376,698
Inventories		386	10,324
Biological assets	8	4,317,309	872,446
Total current assets		13,509,377	14,925,280
Non-current assets			
Property, plant and equipment	9	16,236,106	13,174,451
Prepaid lease assets	10	3,032,572	2,691,438
Investment accounted for using the equity method	11	3,854,973	3,986,194
Intangible assets		51,304	56,152
Total non-current assets		23,174,955	19,908,235
Total assets		36,684,332	34,833,515
Liabilities			
Current liabilities			
Trade and other payables	12	494,560	975,993
Borrowings	13	4,613,610	4,730,058
Total current liabilities		5,108,170	5,706,051
Non-current Liabilities			
Other payables		5,087	10,368
Deferred revenue		241,850	256,245
Total non-current liabilities		246,937	266,613
Total liabilities		5,355,107	5,972,664
Net assets		31,329,225	28,860,851
Equity			
Share capital		20,822,999	20,822,999
Translation reserve		625,973	1,206,766
Share-based payment reserve		889,563	632,162
Retained earnings		8,990,690	6,198,924
Total equity		31,329,225	28,860,851

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

Jiajiafu Modern Agriculture Limited
Statement of changes in equity
For the half year ended 31 December 2016

家家富现代农业
Jiajiafu Modern Agriculture

Consolidated	**Share Capital $**	**Translation reserve $**	**Share-based payment reserve $**	**Retained earnings $**	**Total Equity $**
Balance at 1 July 2016	20,822,999	1,206,766	632,162	6,198,924	28,860,851
Profit for the period	-	-	-	2,791,766	2,791,766
Other comprehensive income for the period	-	(580,793)	-	-	(580,793)
Total comprehensive income for the period	-	(580,793)	-	2,791,766	2,210,973
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	257,401	-	257,401
Balance at 31 December 2016	20,822,999	625,973	889,563	8,990,690	31,329,225

Consolidated	**Share Capital $**	**Translation reserve $**	**Share-based payment reserve $**	**Retained earnings $**	**Total Equity $**
Balance at 1 July 2015	10,556,871	3,143,308	387,216	4,625,887	18,713,282
Profit for the period	-	-	-	1,259,482	1,259,482
Other comprehensive income for the period	-	(657,266)	-		(657,266)
Total comprehensive income for the period	-	(657,266)	-	1,259,482	602,216
Transactions with owners in their capacity as owners:					
Capital contribution	3,629,002	-	-	-	3,629,002
Share-based payments	-	-	290,481	-	290,481
Balance at 31 December 2015	14,185,873	2,486,042	677,697	5,885,369	23,234,981

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

Jiajiafu Modern Agriculture Limited
Statement of cash flows
For the half year ended 31 December 2016

家家富现代农业
Jiajiafu Modern Agriculture

	Consolidated	
	Half-year ended 31 December 2016 $	Half-year ended 31 December 2015 $
Cash flows from operating activities		
Receipts from customers (inclusive of sales taxes)	18,299,370	12,598,531
Payments to suppliers (inclusive of input taxes)	(15,009,589)	(13,573,283)
Interest paid	(155,935)	(28,755)
Interest received	98,562	-
Net cash generated from/ (used in) operating activities	3,232,408	(1,003,507)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,877,032)	(2,667,372)
Loan to associate entity	-	(185,399)
Repayments from associate entity	1,440,914	-
Payments for leased assets	(1,002,142)	-
Payments for intangibles	-	(61,001)
Net cash receipt from disposal of subsidiaries	188,887	-
Net cash outflow due to the disposal of subsidiaries	-	(8,216)
Net cash used in investing activities	(3,249,373)	(2,921,988)
Cash flows from financing activities		
Proceeds from the issuance of shares	-	3,626,065
Repayment to related party loans	(8,484)	-
Proceeds from borrowings	235,740	291,933
Repayments of borrowings	(263,243)	-
Net cash (used in) /generated from financing activities	(35,987)	3,917,998
Net decrease in cash and cash equivalents	(52,952)	(7,497)
Cash and cash equivalents at the beginning of the period	6,941,707	24,041
Effects of exchange rate changes on cash and cash equivalents	(130,689)	119
Cash and cash equivalents at the end of the period	6,758,066	16,663

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Corporate information

The consolidated financial statements of Jiajiafu Modern Agriculture Limited ('the Company') and its subsidiaries for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors as at the date of this report. The subsidiaries are

- Jiajiafu Modern Agriculture (HK) Limited ('JJF HK'),
- Ximan Packing Materials (Shenzhen) Co., Ltd ('JJF Shenzhen'),
- Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd ('JJF China'),
- Qingzhou Jiajiafu Service Co., Ltd ('JJF Service Co').

The Company and its subsidiaries together are referred to in these financial statements as the Group.

The principal activities of the Group during this half-year include:

-growing and sales of agricultural produce (i.e. vegetables and dandelion leaves); and
-trading of fertilizers and pesticides.

Restructuring
The operating business company is JJF China.

In order to IPO on the ASX, a Group restructure, commenced in August 2015 and completed in April 2016, resulted in:

- The establishment by the Company of JJF HK;
- The acquisition by JJF HK of JJF Shenzhen; and
- The acquisition by JJF Shenzhen of JJF China.

The restructuring constitutes a business under common control and, therefore, this financial report has been prepared as a continuation of JJF China and the financial report includes the half year of operating activities of the Group from 01 July 2016 to 31 December 2016 and the comparatives represent the activities of JJF China for the half year from 01 July 2015 to 31 December 2015.

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 31 December 2016 have been prepared in accordance with requirements of Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity.

This interim financial report is intended to provide users with an update on the latest financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the financial statements of JJF China for the year ended 31 December 2015, the half year ended 30 June 2016 and the Group's replacement prospectus dated 12 December 2016.

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

Basis of preparation (continued)

Going concern
As at 31 December 2016, the Group has an external borrowing balance of $3,977,250 from Shanghai Pudong Development Bank which was renewed on 17 January 2017 and 19 January 2017 and the repayment is due on 17 January 2018 and 16 January 2018 respectively. The remaining borrowing balance of $397,725 and $238,635 will mature on 18 April 2017 and 31 August 2017 respectively. The ability of the Group to continue as a going concern is dependent on the Group 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 Group 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 Group had $6,758,066 as cash and cash equivalents as at 31 December 2016;
- The Group has a track record of generating profits and is forecasting profits and cash generation from its continuing operations as per the budgets prepared;
- The Group 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 Group is confident of rolling over the bank borrowing facility from Shanghai Pudong Development Bank.
- The Group is in the process of seeking to list on the ASX and as part of the listing is to raise a minimum capital of $5,100,000 as per replacement prospectus dated 12 December 2016.

The directors have prepared budgets which demonstrate that based on the above factors, the Group 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.

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 Group'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 31 December 2016 and the results of all subsidiaries for the half year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

Principles of consolidation (continued)

The acquisition of subsidiaries with economic substance 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 Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group 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 Group 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.

Pooling of interest method
The Group has used the pooling of interest methodology where there is common control within the combining entity prior to the combination. At the time of the acquisition transaction, the combining entities are ultimately controlled by the same party or parties.

Under the pooling method the assets and liabilities of the acquired entities are recorded at book value not fair value and no goodwill is recorded. Any costs of the combination are expensed as incurred.

Comparative periods have also been re-stated to the beginning of the comparative period.

Foreign currency translation
The financial statements are presented in Australian dollars. The functional currency of the Group 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 Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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.

Revenue recognition (continued)

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.

The operating entity in China, JJF China, has received tax exemption certificate for its main business, growing and selling vegetables, in China during this reporting period and past few years. The tax exemption certificate needs to be renewed on a calendar year basis.

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 Group 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 and dandelion leaves that are to be harvested. The biological assets start with preparation of land for planting and end with the harvesting of crops in the form of mature vegetables and dandelion leaves. Thereafter, mature vegetables and dandelion leaves are directly sold to the market located nearby. Consistent with this process, the fair value of vegetables and dandelion leaves 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 and dandelion leaves are recognised in cost of sales. Farming costs, such as farmland rental, labour costs fertilizers 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 Group 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 Group's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

The Group 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
Office and other equipment	3-10 years
Motor vehicles	8-10 years
Bearer Plant	2 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 Group. 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.

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 Group 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 Group prepaid rental to lease farmland located in China, with a lease term of 13 years. The prepaid rental is amortised throughout the lease term using the straight-line method.

Impairment of non-financial assets
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 Group 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 Group 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 Group receives services from external parties for considerations that are paid for by equity instruments issued by the Group.

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 Group’s accounts.

Share capital
Share capital relates to capital contribution from investors.

Chinese Value Added Tax ("VAT")
According to Chinese tax regulations, agriculture products are exempted from VAT. Since all goods sold by the Group are agriculture products, the sales of goods of the Group are not subject to VAT.

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 Group for the half year ended 31 December 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, 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 Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

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 Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

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 Group 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 Group 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 Group has used market approach and adjusted cash flow analysis for immature vegetable and dandelion leaves.

Recognition of buildings with pending legal title ownership
The Group has recognised buildings with pending legal title ownership as property, plant and equipment. The recognition is on the basis that the Group 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 Group's current use of these assets to generate future economic benefits, and the expectation of the Group 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 31 December 2016 $	**Half-year ended 31 December 2015 $**
Sales revenue		
Sales of goods	18,142,033	12,965,511
	18,142,033	12,965,511
Other revenue		
Interest income	98,562	-
Government grants	9,477	11,921
	108,039	11,921
Total revenue	18,250,072	12,977,432

Note 5. Administration expenses

	Consolidated	
	Half-year ended 31 December 2016 $	Half-year ended 31 December 2015 $
Administration expense	314,389	237,542
Professional service fee in relation to IPO (inclusive of share- based payments)	438,548	696,272
	752,937	933,814

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 December 2016 $	30 June 2016 $
Trade receivables	1,824,781	2,021,757
Other receivables		
Receivables from disposal of subsidiaries	-	194,857
Loan due from associate entity (note 15)	-	1,486,454
Others	3,182	21,037
	3,182	1,702,348
	1,827,963	3,724,105

Note 7. Current assets – prepayments

	Consolidated	
	31 December 2016 $	30 June 2016 $
Prepaid expense (i)	198,862	-
Purchase of goods	-	2,931,939
Capitalized capital raising cost of the IPO	406,791	301,454
Prepaid financial advisory service fee	-	143,305
	605,653	3,376,698

(i) The Group used fertilizers of RMB 2 million (equivalent to $397,724) to improve the quality of the land used to grow dandelion leaves, which will benefit for 12 months. The prepaid expense above represents the unamortised portion of the fertilizer costs.

Note 8. Current assets – biological assets

	Consolidated	
	31 December 2016 $	30 June 2016 $
Biological assets – at cost	3,925,343	1,206,652
Fair value adjustment	391,966	(334,206)
Biological assets – at fair value	4,317,309	872,446

Note 8. Current assets – biological assets (continued)

Fair value hierarchy
The fair value measurements for the Group's biological assets have been categorised as Level 2 fair value based on the inputs to the valuation technique used, which are directly or indirectly observable, since the Group uses market selling prices and observable cost data to develop their estimation of fair value.

Note 9. Non-current assets - property, plant and equipment

	Consolidated	
	31 December 2016 **$**	**30 June 2016** **$**
Plant and equipment – at cost	20,290,335	16,688,489
Less: Accumulated depreciation	(4,054,229)	(3,514,038)
	16,236,106	13,174,451

Reconciliations
Reconciliations of the written down values at the beginning and end of the current half year are set out below:

Consolidated	Buildings & Plant Facilities $	Green House $	Office and Other Equipment $	Motor Vehicles $	Bearer Plant $	Construction in Progress $	Total $
Balance at 30 June 2016	3,403,358	7,072,999	60,606	258,273	-	2,379,215	13,174,451
Additions	-	3,461,025	-	25,303	380,618	-	3,866,946
Transfer	-	2,306,302	-	-	-	(2,306,302)	-
Depreciation expense	(225,761)	(289,293)	(5,570)	(12,556)	(65,482)	-	(598,662)
Exchange differences	(66,529)	(65,174)	(1,204)	(4,682)	3,873	(72,913)	(206,629)
Balance at 31 December 2016	3,111,068	12,485,859	53,832	266,338	319,009	-	16,236,106

As at 30 June 2016, there were two buildings with a net carrying value of $1,547,087 without legal title ownership. On 27 December 2016, the legal title for one of the two buildings was obtained. As a result, as at 31 December 2016, only one building with a net carrying value of $1,261,055 included in Buildings & Plant Facilities above was without legal title ownership. Refer note 3 for details on the basis of recognition.

Note 10. Non-current assets – prepaid lease assets

	Consolidated	
	31 December 2016 $	**30 June 2016 $**
Prepaid lease of buildings and fixtures - at cost	1,243,600	1,267,341
Less: accumulated amortisation	(132,040)	(56,871)
Prepaid rental of farmland – at cost	2,163,624	1,519,942
Less: accumulated amortisation	(242,612)	(38,974)
	3,032,572	2,691,438

Note 11. Non-Current assets – Investments accounted for using the equity method

	Consolidated	
	31 December 2016 $	**30 June 2016 $**
Investments – at cost	3,760,490	3,832,280
Share of the associate's comprehensive income		
- Share of profit after income tax	166,698	148,406
- Share of other comprehensive income	(72,215)	5,508
	3,854,973	3,986,194

Information relating to the associate entity is set out below.

Name of Company	**Country of incorporation**	**Nature of relationship**	**Measurement method**	**Ownership interest (i)**	
				31 December 2016	**30 June 2016**
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 period. 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 Group can share 5.44% of the Cooperative's net profit for the half-year ended 31 December 2016 (5.44% for the half year ended 31 December 2015). The Cooperative has not declared any profit distribution during the half-year ended 31 December 2016 and 31 December 2015. As disclosed in the interim financial report, the Group has recognised an aggregated share of net profit from the Cooperative amounting to $20,816 for the half-year ended 31 December 2016 (for the half-year ended 31 December 2015: $16,711).

Note 12. Current liabilities – trade and other payables

	Consolidated	
	31 December 2016 $	30 June 2016 $
Trade payables	13,063	-
Other payables		
Loans due to Directors (note 15)	180,753	192,956
Payables assumed during acquisition (i)	207,030	210,982
Accrued rental	-	348,828
Accrued social security	-	144,999
Others	93,714	78,228
	481,497	975,993
	494,560	975,993

(i) The payables of RMB 1,041,069 equivalent to $207,030 as at 31 December 2016 ($210,982 as at 30 June 2016) were assumed during the acquisition of the subsidiary, JJF Shenzhen.

Note 13. Current liabilities - borrowings

	Consolidated	
	31 December 2016 $	30 June 2016 $
Bank of Weifang (i)	397,725	405,318
BOC Fudeng Village Bank (ii)	238,635	271,563
Shanghai Pudong Development Bank (iii)	3,977,250	4,053,177
	4,613,610	4,730,058

(i) The unsecured loan from Bank of Weifang of RMB 2 million (equivalent to $397,725) will mature on 18 April 2017 with a fixed interest rate of 8.7% per annum.

(ii) On 31 August 2016, the Group received a loan of RMB 1.2 million equivalent to $238,635 from BOC Fudeng Village Bank with a fixed interest rate of 7.5% per annum. The loan will mature on 31 August 2017. Seven individuals comprising four owners and three external individuals provided a loan guarantee to the Group. In addition, two other owners, Mr. Li, CEO and Director, and his wife, and two external individuals pledged their personal assets for this loan.

(iii) On 26 January 2016, the Group received a loan of RMB 20 million equivalent to $3,977,250 from Shanghai Pudong Development Bank ('SPDB') with an annual interest rate of 6.525%. This loan is guaranteed by Mr Li, CEO and Director of the Group, and his wife personally and a Chinese state-owned company. The loan matured on 26 January 2017. RMB 10 million (equivalent to $1,988,625) was renewed on 17 January 2017 for a one year period. The remaining RMB 10 million (equivalent of $1,988,625) was renewed on 19 January 2017 and will mature on 16 January 2018. Refer to Note 16 for details on the loan renewal after the reporting period.

Note 14. Equity – dividends

No dividend was declared or paid in the half year ended 31 December 2016 (the half year ended 31 December 2015: nil).

Note 15. Related party transactions

Parent entity
Jiajiafu Modern Agriculture Limited is the parent entity, which was incorporated in Australia on 24 August 2015.

Note 15. Related party transactions (continued)

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:

Name	Principal place of business / Country of incorporation	Ownership interest 31/12/2016 %	Ownership interest 30/06/2016 %
Jiajiafu Modern Agriculture (HK) Limited (i)	Hong Kong	100	100
Ximan Packing Materials (Shenzhen) Co., Ltd (ii)	People's Republic of China	100	100
Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd. (iii)	People's Republic of China	100	100
Qingzhou JiaJiaFu Service Co., Ltd. (iv)	People's Republic of China	65	65

Associates
Interests in an associate are set out in note 11.

Key management personnel

The following persons were key management personnel ('KMP') of the Company during the period:

Qingkai Li	Executive Chairman, Founder and Chief Executive Officer ("CEO")
Peter (Yap Ting) Wong	Non-Executive Director
Zhiguo Li	Non-Executive Director
Chen Chik Ong	Non-Executive Director and Company Secretary
Wenyuan Zhao	Executive Director
Susan Zhang	Chief Financial Officer ("CFO")

The following persons were KMP of the operating company, JJF China, during the period:

Qingkai Li	Director and Chief Executive Officer ("CEO")
Xiaozeng Zhou	Director
Da Li	Director
Fei Tian	Director and General Manager ('GM')
Zhonghua Lv	Director (appointed in August 2016)
Lan Liu	Director (resigned in August 2016)
Huazhi Liu	Non-Executive Director
Jing Yang	Non-Executive Director
Yongting Li	Non-Executive Director (appointed in October 2016)
Meiqin Yuan	Non-Executive Director (resigned in October 2016)

KMP remuneration
The aggregate compensation made to directors and other members of KMP of the Group is set out below:

	Consolidated $ Half-year ended 31 December 2016	Consolidated $ Half-year ended 31 December 2015
Short-term employee benefits	36,245	35,032
Post-employment benefits	5,639	5,573
	41,884	40,605

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 31 December 2016	Consolidated $ Half-year ended 31 December 2015
Trademark fee paid/payable to the associate	1,964	1,043

Mr Qingkai Li, CEO and Director of the group, and his wife, Ms Zhihong Gao, pledged their own assets for BOC Fudeng Village Bank for loan facilities of RMB 1.2 million (equivalent to $238,635) and provided their personal guaranty to SPDB for total loan facilities of RMB 20 million (equivalent to $3,977,250).

Ms Zhihong Gao owns 35% interest of JJF Service Co, a subsidiary of the Group.

In April 2016, the Group lent RMB 7,334,759 equivalent to $1,486,454 to the Cooperative, its associate. The loan matured on 31 December 2016 with a flat annual interest rate of 7.2% and has been fully repaid by the Cooperative as at 31 December 2016.

The Group has repaid Mr Qingkai Li, CEO and Director of the Group, RMB 43,188 (equivalent to $8,484) during this half year.

Amount due from/to related parties
The following balances are outstanding loans provided by related parties at the balance date:

	Consolidated $ 31 December 2016	Consolidated $ 30 June 2016
Loans due to Mr Qingkai Li (‘CEO’) (i)	180,753	192,956
Loans due from associate entity	-	1,486,454
Payables to associate entity	1,989	-

(i) The total loans of RMB 908,934 (equivalent to $180,753) due to Mr Qingkai Li, CEO and Director of the Group are unsecured and non-interest bearing, which have been fully repaid in cash by February 2017.

Terms and conditions
All related party transactions in the half year ended 31 December 2016 were made on normal commercial terms and conditions.

Note 16. Events after the reporting period

On 17 January 2017 and 19 January 2017, the Group received two loans with a total principal of RMB 20 million equivalent to $3,977,250 from Shanghai Pudong Development Bank ('SPDB'). The annual interest rate is SPDB base rate plus 2.205%. These two loans are the renewal of an existing loan of RMB 20 million (equivalent to $3,977,250) from SPDB. The loans will mature on 19 January 2018 and 16 January 2018 respectively and are guaranteed by Mr Li, CEO and Director of the Group, and his wife personally and a Chinese state-owned company.

Other than the above, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 17. Contingencies

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

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Note 18. Lease commitment

	Consolidated $ 31 December 2016	Consolidated $ 30 June 2016
Committed at the reporting date but not recognised as liabilities, payable		
Within one year	1,136,934	1,843,625
One to five years	4,102,282	4,180,597
Over five years	7,351,367	7,843,036
	12,590,583	13,867,258

The Group has a lease agreement on farmland in Donggao Town with a lease term of 18 years until 25 March 2029. The rental of the farmland is the market price equivalent to 822 kg of wheats for each 667 square metres. The Group makes cash payments for the lease on a monthly basis.

On 29 February 2016, the Group entered a lease agreement on farmland in Binzhou City with a lease term of 13 years until 28 February 2029. The total cost of the lease is RMB 9.75 million (equivalent to $1,938,909). As at the date of this report, the Group has paid RMB 7.5 million (equivalent to $1,491,469) to the lessor. The residual payment of RMB 2.25 million (equivalent to $447,441) is payable before 28 February 2017.

On 30 June 2016, the Group entered a lease agreement of farmland in Gaoliu city with a lease term of 13 years until 30 June 2029. The annual lease amount of the agreement is RMB 1.69 million (equivalent to $336,078). According to the agreement, the lease is paid every two years upfront and the last three years are paid at the beginning of the last three years. As at the date of this report, the Group has prepaid the first two year's lease of RMB 3.38 million equivalent to $672,155.

Jiajiafu Modern Agriculture Limited
Directors' declaration
For the half year ended 31 December 2016

In accordance with a resolution of the directors of Jiajiafu Modern Agriculture Limited, the directors of the Group declare that:

1. The consolidated interim financial statements and notes, as set out on pages 4 to 23:

- comply with Australian Accounting Standard AASB 134: Interim Financial Reporting; the *Corporations Act 2001* and other mandatory professional reporting requirements; and

- give a true and fair view of the Group's financial position as at 31 December 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 Group will be able to pay its debts as and when they become due and payable.

On behalf of the directors

李秋凯

Director
Qingkai Li
3 March 2017

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Jiajiafu Modern Agriculture Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Jiajiafu Modern Agriculture Limited, which comprises the statement of financial position as at 31 December 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 statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company 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 of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Jiajiafu Modern Agriculture Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Jiajiafu Modern Agriculture Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Jiajiafu Modern Agriculture Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of Matter

We draw attention to Note 3 and Note 9 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 conclusion is not modified in respect of this matter.

BDO East Coast Partnership

BDO

Wai Aw
Partner

Melbourne, 3 March 2017