

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)

IN US DOLLARS

	Notes	For the Year Ended 30 September		
		2016	2015	2014
Revenue				
Fruit vinegar	3.9.1	33,358,071	16,048,576	7,936,646
Fruitcakes	3.9.2	11,596,839	11,096,170	9,812,047
Total revenue		44,954,910	27,144,746	17,748,693
Cost of sales				
Cost of fruit vinegar	11.1	(25,052,748)	(10,632,305)	(4,929,163)
Cost of fruitcakes	11.1	(7,048,313)	(6,511,669)	(5,534,021)
Total cost of sales		(32,101,061)	(17,143,974)	(10,463,184)
Gross profit		12,853,849	10,000,772	7,285,509
Selling and distribution expenses	12.1	(2,328,950)	(1,507,087)	(1,083,670)
Administrative expenses	12.2	(695,963)	(607,722)	(490,227)
Finance income		1,713	2,294	3,454
Research and development expenses	12.3	(1,384,041)	(1,087,243)	(894,344)
Operating profit before income tax expense		8,446,608	6,801,014	4,820,722
Other income	13	322,256	252,556	154,966
Income before income tax expenses		8,768,864	7,053,570	4,975,688
Income tax expense	6	1,305,547	1,067,042	1,250,943
Profit for the year		7,463,317	5,986,528	3,724,745
Other comprehensive (loss)				
Exchange differences on translating foreign currencies	2.4	(1,310,417)	(799,538)	(29,480)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,152,900	5,186,990	3,695,265

The notes on pages 7 to 34 are an integral part of these financial statements.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER

IN US DOLLARS

	Notes	2016	2015	2014
ASSETS				
Non-current assets				
Property, plant and equipment, net	9	1,689,943	1,925,227	2,018,389
Land use rights	8	1,404,180	1,504,995	1,587,177
Non-current assets		3,094,123	3,430,222	3,605,566
Current assets				
Inventory	7	7,685,141	7,426,565	3,877,510
Trade and other receivables	5.1.1	15,190,254	9,478,117	5,259,823
Prepayments		2,538	2,250	2,073
Cash and cash equivalents	3.1.1	6,090,143	5,479,793	7,605,313
Current assets		28,968,076	22,386,725	16,744,719
TOTAL ASSETS		32,062,199	25,816,947	20,350,285
EQUITY AND LIABILITIES				
Equity				
Share capital	3.7	870,000	870,000	870,000
Statutory reserve fund	3.8	1,120,820	1,120,820	1,120,820
Retained earnings		29,681,256	22,217,939	16,231,411
Other comprehensive income (loss)		(911,206)	399,211	1,198,749
Total equity		30,760,870	24,607,970	19,420,980
Current liabilities				
Trade and other payables		390,510	289,790	228,257
Deferred revenue		55,898	65,353	70,181
Taxes payable		854,921	853,834	630,867
Current liabilities		1,301,329	1,208,977	929,305
TOTAL EQUITY AND LIABILITIES		32,062,199	25,816,947	20,350,285

The notes on pages 7 to 34 are an integral part of these financial statements.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 30 SEPTEMBER 2016, 2015 AND 2014

IN US DOLLARS

	Share capital	Retained earnings	Statutory reserve fund	Other comprehensive income (loss)	Total equity
Balance - 30 September 2013	870,000	12,506,666	1,120,820	1,228,229	15,725,715
Profit for the year	-	3,724,745	-	-	3,724,745
Statutory reserve	-	-	-	-	-
Other comprehensive (loss)	-	-	-	(29,480)	(29,480)
Balance - 30 September 2014	870,000	16,231,411	1,120,820	1,198,749	19,420,980
Profit for the year	-	5,986,528	-	-	5,986,528
Statutory reserve	-	-	-	-	-
Other comprehensive (loss)	-	-	-	(799,538)	(799,538)
Balance - 30 September 2015	870,000	22,217,939	1,120,820	399,211	24,607,970
Profit for the year	-	7,463,317	-	-	7,463,317
Statutory reserve	-	-	-	-	-
Other comprehensive (loss)	-	-	-	(1,310,417)	(1,310,417)
Balance - 30 September 2016	870,000	29,681,256	1,120,820	(911,206)	30,760,870

The notes on pages 7 to 34 are an integral part of these financial statements.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

STATEMENTS OF CASH FLOWS

IN US DOLLARS

		For the Year Ended 30 September		
	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit for the year		7,463,317	5,986,528	3,724,745
Adjustments to reconcile profit after tax to net cash flows:				
Depreciation	9.3	262,548	249,963	222,446
Amortization	8	30,723	32,554	32,675
Interest income		(1,713)	(2,294)	(3,454)
Income tax expense	6	1,305,547	1,067,042	1,250,943
Working capital adjustments:				
Change in inventory		(258,576)	(3,549,055)	(1,476,637)
Change in prepayments		(288)	(177)	(1,950)
Change in trade and other receivables		(5,712,137)	(4,218,294)	63,757
Change in trade and other payables		100,720	61,533	21,368
Change in deferred revenue		(9,455)	(4,828)	(101)
Cash generated from (used in) operating activities		3,180,686	(377,028)	3,833,792
Income taxes paid		(1,236,876)	(1,042,200)	(1,247,184)
Net cash provided by (used in) operating activities		1,943,810	(1,419,228)	2,586,608
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received		1,713	2,294	3,454
Purchase of property, plant and equipment	9.2	(114,687)	(220,264)	(84,758)
Net cash (used in) operating activities		(112,974)	(217,970)	(81,304)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		1,830,836	(1,637,198)	2,505,304
Cash and cash equivalents - beginning		5,479,793	7,605,313	5,077,287
Effect of exchange rate fluctuations on cash and cash equivalents		(1,220,486)	(488,322)	22,722
CASH AND CASH EQUIVALENTS - ENDING		6,090,143	5,479,793	7,605,313

The notes on pages 7 to 34 are an integral part of these financial statements.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS *IN US DOLLARS*

1. CORPORATE INFORMATION

Jiangxi Bojun Ecological Agriculture Development Co., Ltd. (the “Company”) was established on 25 April 2006 in Fuzhou, Jiangxi Province in the People’s Republic of China (“PRC”) with registered capital of US\$ 870,000, which was fully paid. The Company focuses on the production and sales of fruit vinegar and fruitcakes. As a result of series of share transfers from its inception, since 18 September 2016, the Company is wholly owned by Shenzhen Management and Consulting Co., Ltd.

The Company is a comprehensive and technical agriculture company which integrates production of fruit related products, scientific research, promotion, and further processing of agriculture products. The Company’s business is comprised of the following:

Production and sale of fruit vinegar and fruitcakes

The Company makes fruit vinegar beverages from the Nanfeng mandarin orange. Oranges are harvested from November to January and its juice is fermented for one year. The Company buys all of its oranges from third parties. The Company has developed a technology of brewing Nanfeng mandarin orange fruit vinegar and was granted a technology patent in June 2012. After the strictly-controlled fermentation process, the fruit vinegar magma is produced. By adding different burdening to the magma, the vinegar is then diluted to create the beverage. The Company also developed a processing method for Nanfeng mandarin orange fruitcakes and was granted the patent in April 2014. The fruitcakes are made from orange pulp after distillation and drying procedures.

The Company has agreements with agents in various regions of the PRC to sell its fruit vinegar and fruitcake products.

Technical services and patent licensing revenue

The Company generates technical services and patent licensing revenue by authorizing the use of its patented technologies to other fruitcake producing enterprises within the Jiangxi Province. These technologies include the patent of its fruitcake processing method and other related patents.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS *IN US DOLLARS*

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements were authorized for issue by the Board of Directors on 6 February 2017.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for assets and liabilities required to be measured at fair value (See Note 4).

2.3 Functional and presentation currency

These financial statements are presented in US dollars, and the Company’s functional currency is the Renminbi (“RMB”). All financial information presented has been rounded to the nearest US dollar.

2.4 Foreign currency translation

All Company assets are located in the PRC. The Company uses the United States Dollar (“US Dollar” or “US\$” or “\$”) for financial reporting purposes.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

2. BASIS OF PREPARATION (continued)

2.4 Foreign currency translation (continued)

For the purpose of presenting the financial statements, the assets and liabilities of the Company are translated into US Dollars using the exchange rate prevailing at the end of reporting period. Revenue and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. For the years ended 30 September 2016, 2015 and 2014, exchange differences on translating RMB to US Dollar of (\$1,310,417), (\$799,538) and (\$29,480), respectively, are recognized as other comprehensive loss in the statement of profit or loss and other comprehensive income.

Although government regulations now allow convertibility of the RMB for current account transactions, significant restrictions still remain. Hence, such translations should not be construed as representations that the RMB could be converted into US Dollars at that rate or any other rate.

The value of the RMB against the US Dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of the RMB may materially affect the Company's financial condition in terms of US Dollar reporting.

2.5 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial instruments

3.1.1 Non-derivative financial assets

The Company initially recognizes trade and other receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date when the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, non-current trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash balances, money market funds and short-term investments with original maturities of three months or less.

3.1.2 Non-derivative financial liabilities

The Company recognizes the liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS *IN US DOLLARS*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Financial instruments (continued)

3.1.2 Non-derivative financial liabilities (continued)

The Company has the following non-derivative financial liabilities: trade and other payables. Such financial liabilities are recognized at fair value plus any directly attributable transaction costs.

3.2 Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity).

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

When inventory is sold, the carrying amount is recognized as an expense in the period in which the related turnover is recognized. The amount of any write-down of inventory to net realizable values and all losses of inventory are recognized as an expense in the period the write down or loss occurs. The amount of any reversal of any write-down of inventory is recognized as a reduction in the amount of inventory as an expense in the period in which the reversal occurs.

3.3 Property, plant and equipment

3.3.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income (loss) in the statements of profit or loss and other comprehensive income.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment (continued)

3.3.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statements of profit and loss and other comprehensive income as incurred.

3.3.3 Depreciation

Depreciation is calculated using the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value, if any. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the years ended 30 September 2016, 2015 and 2014 are as follows:

Buildings and building improvement	5-20 years
Production equipment	5-10 years
Furniture and office equipment	3-5 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.4 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration prepaid for the rights to use the land over a period of 50 years. Amortization of land use rights is calculated on a straight-line basis over the 50 years period.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS *IN US DOLLARS*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment

3.5.1 Financial assets (including receivables)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if the objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. The Company considers evidence of impairment for trade and other receivables at both a specific asset and collective levels. All individually significant accounts receivable are assessed for specific impairment. All individually significant accounts receivable found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected as an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS *IN US DOLLARS*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and adjusted accordingly.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

The Company has the following non-financial assets: property, plant and equipment, land use rights, inventory, and prepayments.

3.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Statutory reserve fund

Pursuant to corporate law of the PRC, the Company is required to transfer 10% of its profit, as determined under PRC accounting rules and regulations, to a statutory reserve fund until such reserve balance reaches 50% of the Company's registered capital. The statutory reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or used to increase registered capital, provided that the remaining reserve balance after use is not less than 25% of registered capital. The statutory reserve was fully funded as of September 30, 2014. No transfers were required for the three years ended September 30, 2016.

3.9 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the amount of the consideration received or receivable, net of estimated returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

There are two streams of revenue in the normal course of the Company's business: sales of fruit vinegar and sales of fruitcakes.

3.9.1 Sales of fruit vinegar

Sales of fruit vinegar are recognized when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods, and collectability of the related receivable is reasonably assured.

3.9.2 Sales of fruitcakes

Sales of fruitcakes are recognized when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods, and collectability of the related receivable is reasonably assured.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS *IN US DOLLARS*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all required conditions.

Government grants relating to costs are deferred and recognized in the statements of profit or loss and other comprehensive income as other income over the period necessary to match them with the costs they are related to.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the statements of profit or loss and other comprehensive income as other income on a straight-line basis over the expected lives of the related assets. The expected lives for fixed assets ranges from 3 to 20 years.

3.11 Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is also recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. A valuation allowance is established to reduce deferred tax assets to the amount expected to be realized.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS ***IN US DOLLARS***

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Income taxes (continued)

Revenues, expenses and assets are recognized net of the amount of sales tax. The net amount of sales tax recoverable from, or payable to, the taxing authority is included as part of receivables or payables in the statements of financial position.

3.12 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued since 30 September 2016 up to the date of authorization of the financial statements which are not yet effective, have not been applied in preparing these financial statements. None of these new standards or amendments to standards when effective are expected to have a material effect on the financial statements of the Company except for the following:

IFRS 15 – Revenue from Contracts with Customers, which is effective, after amendment, for periods beginning on or after 1 January 2018. IFRS 15 sets forth the requirements for recognizing revenue that applies to all contracts with customers. The Company is in the process of determining the possible effects, if any, on its financial reporting.

IFRS 16 – Leases, which is effective for periods beginning on or after 1 January 2019. IFRS 16 principally requires lessees to recognize assets and liabilities for all leases with terms longer than 12 months and to present the rights and obligations associated with these leases in the statement of financial position. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. The Company is in the process of determining the possible effects on its financial reporting.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS ***IN US DOLLARS***

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes as disclosed in Note 10.3. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.1 Inventory

The fair value of inventory is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

4.2 Trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

4.3 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

5. FINANCIAL RISK MANAGEMENT

5.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables from customers.

5.1.1 Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the normal course of business, the Company grants credit to its customers based on credit evaluations of their financial condition.

The following table represents certain information about the Company's major customers which individually accounted for more than 10% of the Company's gross revenue for the years ended 30 September 2016, 2015, and 2014.

2016				
	<u>Gross Revenue</u>	<u>Percentage</u>	<u>Accounts Receivable</u>	<u>Percentage</u>
Customer 1	8,318,555	18.5%	2,461,110	16.3%
Customer 2	7,088,706	15.8%	2,105,587	14.0%
Customer 3	6,132,851	13.6%	1,829,394	12.1%
Customer 4	6,306,599	14.0%	1,883,669	12.5%
Customer 5	6,101,002	13.6%	1,815,416	12.0%
Customer 6	5,895,857	13.1%	2,276,421	15.1%

2015				
	<u>Gross Revenue</u>	<u>Percentage</u>	<u>Accounts Receivable</u>	<u>Percentage</u>
Customer 1	7,859,581	29.0%	2,345,600	24.8%
Customer 2	6,582,868	24.3%	1,992,837	21.0%
Customer 3	5,589,729	20.6%	1,704,852	18.0%
Customer 4	4,550,334	16.8%	1,665,080	17.6%

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.1 Receivables (continued)

	2014			
	<u>Gross Revenue</u>	<u>Percentage</u>	<u>Accounts Receivable</u>	<u>Percentage</u>
Customer 1	7,162,032	40.4%	2,102,704	40.0%
Customer 2	5,794,589	32.6%	1,724,457	32.9%
Customer 3	4,792,071	27.0%	1,424,097	27.1%

Trade receivables are non-interest bearing and are generally on terms of 30-90 days. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that may have been incurred but not yet identified. On a periodic basis, management evaluates accounts receivable balances and establishes an allowance, based on the history of past write-offs and collections. As at 30 September 2016, 2015 and 2014, the Company considers all accounts receivable to be fully collectible and, therefore, did not provide for an allowance for doubtful accounts.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

6. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.1 Receivables (continued)

The aging of receivables as at 30 September was as follows:

	2016		2015		2014	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	15,190,254	-	9,478,117	-	5,259,823	-
Past due 0-30 days	-	-	-	-	-	-
Past due 31-60 days	-	-	-	-	-	-
More than 60 days	-	-	-	-	-	-
	15,190,254	-	9,478,117	-	5,259,823	-

5.2 Cash

Substantially all of the Company's assets and bank accounts are in banks located in the PRC. The exchange rate of RMB is determined by the government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

5.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

5.4 Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which result from its operating activities. The change of economic conditions causes the risks, and the Company works to mitigate the risks.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

5. FINANCIAL RISK MANAGEMENT (continued)

5.5 Capital management

The Company's debt to adjusted capital ratios at 30 September were as follows:

	2016	2015	2014
Total liabilities	1,301,329	1,208,977	929,305
Less: cash and cash equivalents	6,090,143	5,479,793	7,605,313
Net debt	-	-	-
Total equity	30,760,870	24,607,970	19,420,980
Debt to capital ratio	-	-	-

6. INCOME TAX EXPENSE

6.1 Provision for income taxes

The provision for income taxes for the years ended 30 September consists of the following:

	2016	2015	2014
Current	1,305,547	1,067,042	1,250,943
Deferred	-	-	-
Total income tax provision	1,305,547	1,067,042	1,250,943

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

6. INCOME TAX EXPENSE (continued)

6.2 Reconciliation of effective tax rate

	2016		2015		2014	
	Tax rate	Amount	Tax rate	Amount	Tax rate	Amount
Operating profit before income tax expense		8,768,864		7,053,570		4,975,688
Tax using the Company's domestic tax rate	15.00%	1,315,329	15.00%	1,058,035	25.00%	1,243,922
Tax effect of:						
Non-deductible expenses due to deferred listing costs	(0.19%)	(17,131)		-	-	-
Prior year adjustments	0.09%	8,327	0.14%	9,407	0.14%	7,021
Other factors	(0.01%)	(978)	(0.01%)	(400)	-	-
	14.89%	1,305,547	15.13%	1,067,042	25.14%	1,250,943

The local tax authority approved the Company as a the high-tech enterprise from 8 October 2014 to 8 October 2017. This entitles the Company to a reduced corporate tax rate of 15% for years ended 30 September 2016 and 2015.

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

7. INVENTORY

As at 30 September, the carrying amounts of inventory consist of the following:

	2016	2015	2014
Raw materials	452,914	556,377	133,545
Work in progress	6,473,009	6,374,999	3,383,410
Finished goods	759,218	495,189	360,555
Total inventories	7,685,141	7,426,565	3,877,510

Inventory of \$32,101,061, \$17,143,974 and \$10,463,184 were recognized as expense and included in cost of sales for the years ended 30 September 2016, 2015 and 2014, respectively.

8. LAND USE RIGHTS

As at 30 September, the carrying amounts of the land use right consist of the following:

	2016	2015	2014
As at 1 October	1,504,995	1,587,177	1,622,106
Amortization charge	(30,723)	(32,554)	(32,675)
Effect of exchange rate fluctuations	(70,092)	(49,628)	(2,254)
As at 30 September	1,404,180	1,504,995	1,587,177

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS *IN US DOLLARS*

9. PROPERTY, PLANT AND EQUIPMENT

9.1 Carrying amount of property, plant and equipment

As at 30 September, the carrying amount of property, plant and equipment consist of the following:

	2016	2015	2014
Building and building improvements	884,607	1,018,473	1,145,234
Production equipment	644,111	694,368	733,657
Furniture and office equipment	80,456	76,320	43,440
Motor vehicles	80,769	136,066	96,058
Total property, plant and equipment, net	1,689,943	1,925,227	2,018,389

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

9. PROPERTY, PLANT AND EQUIPMENT (continued)

9.2 Cost or deemed cost

The movement of cost or deemed cost of property, plant and equipment for the years ended 30 September consists of the following:

	Building and building improvement	Production equipment	Furniture and office equipment	Motor vehicles	Total
As at 1 October 2013	1,301,492	863,221	68,794	103,038	2,336,545
Additions	-	28,806	7,753	48,199	84,758
Disposals	-	-	-	-	-
Effect of exchange rate fluctuations	(1,859)	(1,287)	(113)	(238)	(3,497)
As at 30 September 2014	1,299,633	890,740	76,434	150,999	2,417,806
Additions	-	71,513	59,737	89,014	220,264
Disposals	-	-	-	-	-
Effect of exchange rate fluctuations	(41,440)	(30,555)	(4,236)	(7,495)	(83,726)
As at 30 September 2015	1,258,193	931,698	131,935	232,518	2,554,344
Additions	-	72,865	41,822	-	114,687
Disposals	-	-	-	-	-
Effect of exchange rate fluctuations	(59,128)	(45,287)	(7,063)	(10,927)	(122,405)
As at 30 September 2016	1,199,065	959,276	166,694	221,591	2,546,626

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

9. PROPERTY, PLANT AND EQUIPMENT (continued)

9.3 Depreciation and impairment losses

The movement of depreciation and impairment losses of property, plant and equipment for the years ended 30 September consist of the following:

	Building and building Improvement	Production equipment	Furniture and office equipment	Motor vehicles	Total
As at 1 October 2013	61,271	73,801	14,058	28,514	177,644
Depreciation for the period	93,392	83,545	18,992	26,517	222,446
Impairment loss	-	-	-	-	-
Effect of exchange rate fluctuations	(264)	(263)	(56)	(90)	(673)
As at 30 September 2014	154,399	157,083	32,994	54,941	399,417
Depreciation for the period	93,046	87,903	24,408	44,606	249,963
Impairment loss	-	-	-	-	-
Effect of exchange rate fluctuations	(7,725)	(7,656)	(1,786)	(3,096)	(20,263)
As at 30 September 2015	239,720	237,330	55,616	96,451	629,117
Depreciation for the period	87,815	90,863	33,936	49,934	262,548
Impairment loss	-	-	-	-	-
Effect of exchange rate fluctuations	(13,077)	(13,029)	(3,313)	(5,563)	(34,982)
As at 30 September 2016	314,458	315,164	86,239	140,822	856,683

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

10. FINANCIAL INSTRUMENTS

10.1 Credit risk

10.1.1 Exposure to credit risk

The carrying amount of financial assets represents the Company's maximum credit exposure. The maximum exposure to credit risk as at 30 September was as follows:

	2016	2015	2014
Trade and other receivables	15,190,254	9,478,117	5,259,823
Cash and cash equivalents	6,090,143	5,479,793	7,605,313
	21,280,397	14,957,910	12,865,136

10.2 Liquidity risk

The following are the contractual maturities (including interest payments where applicable) of financial liabilities.

10.2.1 Non-derivative financial liabilities

	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	390,510	390,510	390,510	-	-
As at 30 September 2016	390,510	390,510	390,510	-	-

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

10. FINANCIAL INSTRUMENTS (continued)

10.2.1 Non-derivative financial liabilities (continued)

	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	289,790	289,790	289,790	-	-
As at 30 September 2015	289,790	289,790	289,790	-	-

	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	228,257	228,257	228,257	-	-
As at 30 September 2014	228,257	228,257	228,257	-	-

10.3 Fair value

10.3.1 Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position were as follows:

Assets carried at amortized cost

		Fair Value			
	Carrying amount	Level I	Level II	Level III	Total
Financial assets not measured at fair value					
Trade and other receivables	15,190,254	-	-	-	15,190,254
Cash and cash equivalents	6,090,143	-	-	-	6,090,143
As at 30 September 2016	21,280,397	-	-	-	21,280,397

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

10. FINANCIAL INSTRUMENTS (continued)

10.3 Fair value (continued)

10.3.1 Fair values versus carrying amounts (continued)

Assets carried at amortized cost

		Fair Value			
	Carrying amount	Level I	Level II	Level III	Total
Financial assets not measured at fair value					
Trade and other receivables	9,478,117	-	-	-	9,478,117
Cash and cash equivalents	5,479,793	-	-	-	5,479,793
As at 30 September 2015	14,957,910	-	-	-	14,957,910

		Fair Value			
	Carrying amount	Level I	Level II	Level III	Total
Financial assets not measured at fair value					
Trade and other receivables	5,259,823	-	-	-	5,259,823
Cash and cash equivalents	7,605,313	-	-	-	7,605,313
As at 30 September 2014	12,865,136	-	-	-	12,865,136

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

10. FINANCIAL INSTRUMENTS (continued)

10.3 Fair value (continued)

10.3.1 Fair values versus carrying amounts (continued)

Liabilities carried at amortized cost

		Fair Value			
	Carrying amount	Level I	Level II	Level III	Total
Financial liabilities not measured at fair value					
Trade and other payables	390,510	-	-	-	390,510
As at 30 September 2016	390,510	-	-	-	390,510

		Fair Value			
	Carrying amount	Level I	Level II	Level III	Total
Financial liabilities not measured at fair value					
Trade and other payables	289,790	-	-	-	289,790
As at 30 September 2015	289,790	-	-	-	289,790

		Fair Value			
	Carrying amount	Level I	Level II	Level III	Total
Financial liabilities not measured at fair value					
Trade and other payables	228,257	-	-	-	228,257
As at 30 September 2014	228,257	-	-	-	228,257

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

10. FINANCIAL INSTRUMENTS (continued)

10.3 Fair value (continued)

10.3.2 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of the fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at 30 September 2016, 2015 and 2014, carrying values of non-derivative financial instruments disclosed above, approximate fair values due to the short term nature of these financial instruments.

11. COST OF SALES

11.1 Details of cost of sales

The following schedule is the cost of sales for the years ended 30 September:

	2016	2015	2014
Finished goods, beginning of year	495,189	360,555	354,168
Purchases	32,394,413	17,294,642	10,470,090
Less: finished goods, end of year	759,218	495,189	360,555
Effect of exchange rate fluctuations	(29,323)	(16,034)	(519)
Total cost of sales	32,101,061	17,143,974	10,463,184

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

12. OPERATING EXPENSES

12.1 Details of selling and distribution expenses:

The selling and distribution expenses for the years ended 30 September consist of the following:

	2016	2015	2014
SELLING AND DISTRIBUTION			
Advertising expenses	466,457	350,407	303,332
Salaries and other benefits	304,293	225,209	161,760
Depreciation	36,986	40,725	30,644
Traveling expenses	162,747	154,024	117,279
Entertainment expenses	96,197	90,416	60,820
Freight cost	1,241,387	627,542	396,234
Office expenses	3,098	2,113	1,723
Motor vehicle expenses	17,785	16,651	11,878
Total selling and distribution expenses	2,328,950	1,507,087	1,083,670

12.2 Details of administrative expenses:

The administrative expenses for the years ended 30 September consist of the following:

	2016	2015	2014
ADMINISTRATIVE			
Salaries and other benefits	458,295	388,589	300,920
Depreciation and amortization	122,989	116,643	105,106
Small items consumed	5,318	3,576	2,434
Office expenses	10,950	3,591	2,901
Telephone expenses	1,693	1,673	1,448
Traveling expenses	4,896	6,605	4,461
Entertainment expenses	48,719	47,512	35,835
Other taxes	43,103	39,533	37,122
Total administrative expenses	695,963	607,722	490,227

JIANGXI BOJUN ECOLOGICAL AGRICULTURE DEVELOPMENT CO., LTD.

NOTES TO FINANCIAL STATEMENTS IN US DOLLARS

12. OPERATING EXPENSES

12.3 Details of research and development expenses:

The research and development expenses for the years ended 30 September consist of the following:

	2016	2015	2014
RESEARCH AND DEVELOPMENT			
Salaries and other benefits	320,925	259,031	225,892
Research and development direct fees	803,561	634,431	474,196
Depreciation and amortization	28,453	21,940	18,048
New product design fees	-	13,787	15,466
Other research and development expenses	231,102	158,054	160,742
Total research and development expenses	1,384,041	1,087,243	894,344

13. OTHER INCOME

The other income for the years ended 30 September consists of the following:

	2016	2015	2014
OTHER INCOME			
Government grants	42,185	48,800	39,789
Original Equipment Manufacturer income	141,433	130,308	115,177
Licensing revenue	138,638	73,448	-
Total other income	322,256	252,556	154,966



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INDEPENDENT AUDITOR'S REPORT

Shareholders and Board of Directors

Jiangxi Bojun Ecological Agriculture Development Co., Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Jiangxi Bojun Ecological Agriculture Development Co., Ltd., which comprise the statements of financial position as at 30 September 2016, 2015 and 2014, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Jiangxi Bojun Ecological Agriculture Development Co., Ltd. as at 30 September 2016, 2015 and 2014, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Wei, Wei & Co. LLP

A handwritten signature in blue ink, appearing to read 'Liren Wei'.

Liren Wei
Managing Partner

6 February 2017
New York, United States of America