

**BOJUN AGRICULTURE HOLDINGS LIMITED**

**ACN 618 962 253**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 SEPTEMBER 2017**

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**  
**FINANCIAL REPORT**

**TABLE OF CONTENTS**

CORPORATE DIRECTORY .....	2
DIRECTORS' REPORT .....	3
AUDITOR'S INDEPENDENCE DECLARATION .....	15
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	16
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	17
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	18
CONSOLIDATED STATEMENT OF CASH FLOWS .....	19
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	20
DIRECTORS' DECLARATION .....	42
INDEPENDENT AUDITOR'S REPORT .....	43
ASX ADDITIONAL INFORMATION .....	47

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**CORPORATE DIRECTORY**

<b>Directors</b>	Mr Andrew John Stoner (Non-Executive Chairman, appointed 16 May 2017) Mr Chen Chik Ong (Non-Executive Director & Company Secretary, appointed 8 May 2017) Mr Qingfeng Zhang (Non-Executive Director, appointed 8 May 2017) Dr Bo Zhu (Executive Director, appointed 8 May 2017) Ms Zheng Yu (Executive Director, appointed 8 May 2017)
<b>Company Secretary</b>	Mr Chen Chik Ong
<b>Registered Office</b>	'AMP Centre' Level 27, 50 Bridge Street, Sydney NSW 2000
<b>Principal Place of Business in Australia</b>	'AMP Centre' Level 27, 50 Bridge Street, Sydney NSW 2000
<b>Principal Place of Business in China</b>	Jinshankou Industrial Park, Nancheng Xian, Fuzhou City, Jiangxi, China
<b>Share Register</b>	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
<b>Auditor</b>	BDO East Coast Partnership Collins Square, Tower 4 Level 18, 727 Collins St Melbourne, VIC 3008
<b>Bankers</b>	Industrial and Commercial Bank of China, Sydney Branch Level 1, 220 George Street, Sydney NSW 2000
<b>Website address</b>	<a href="http://bojunagriculture.com/">http://bojunagriculture.com/</a> (English Website)

# **BOJUN AGRICULTURE HOLDINGS LIMITED**

## **FOR THE YEAR ENDED 30 SEPTEMBER 2017**

### **DIRECTORS' REPORT**

The directors present their report, together with the financial statements, on the consolidated entity consisting of Bojun Agriculture Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 September 2017. Throughout the report, the consolidated entity is referred to as the Group.

The Company was incorporated in New South Wales, Australia on 8 May 2017. In June 2017, the Company underwent a restructure resulting in the introduction of the Company as the legal parent of Jiangxi Bojun Ecological Agriculture Development Co., Limited ('Bojun China'). In accordance with the Australian Accounting Standards, the restructure constitutes a capital re-organisation rather than a business combination with Bojun China deemed to be the acquirer for accounting purposes.

The accompanying consolidated financial statements represent a continuation of Bojun China's financial statements. The consolidated results reflect the whole year of Bojun China and those of the parent entity from the date of incorporation, 8 May 2017 to 30 September 2017. The comparative period results reflect Bojun China only. In accordance with the provisions of the Corporations Act, the directors' report is as follows:

#### **Directors**

The following persons were directors of Bojun Agriculture Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Andrew John Stoner (Non-Executive Chairman)  
Mr Chen Chik Ong (Non-Executive Director & Company Secretary)  
Mr Qingfeng Zhang (Non-Executive Director)  
Dr Bo Zhu (Executive Director)  
Ms Zheng Yu (Executive Director)

#### **Principal activities**

The Company is engaged in the business of manufacturing processed foods and beverages, which are derived from agricultural fruit produce. Its key products include fruit cider vinegar beverages and fruit confections. These products are produced with natural fruit and contain no preservatives, artificial colours and artificial flavours.

The Company's key products include:

- Fruit cider vinegar: a natural fruit-based drink, which is produced from Nanfeng Mandarins via a fermentation process that aims to retain the natural flavours and nutritional value of the fruit, of which the taste is unique as the raw material, including sour and sweet beverages through strictly controlled fermentation.
- Fruit confections: a fruit-based snack produced from a range of raw materials, including fruits such as strawberry, blueberry, kiwi fruit, pumpkin and Nanfeng Mandarins. These fruit confection products aim to retain the various health benefits of the fruits from which they are made by adopts the Company's technology (some of the technology are patented technology), through multiple production tests, using quality fruits as raw material, strictly controlled manufacturing procedure like distillation, drying are implemented.

The Company has obtained certification for its food safety management systems (ISO22000:2005), as well as the relevant food production approval, and is committed to investing in the research and development of its fruit selection, processing and production techniques. It has received several awards, including the title of 'Advanced Scientific Agricultural Company' and 'New High-tech Enterprise' in China.

The Company derives profits from producing and packaging beverage and fruit products, which are sold in wholesale quantities to distribution agents, which then on-sell the products to end-consumers. The Company adopts a combination of a made-to-order and planned production model where the quantity of products it produces is based on planned amount of and actual orders placed by the agencies.

#### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

#### **Review of operations**

For the financial year ended 30 September 2017, the Group recorded total sales revenue of \$74.9 million, an encouraging result compared to \$61.7 million of sales revenue recorded in financial year 2016. Sales revenue increased by approximately \$13.19 million. The gross profit margin is 25.22% in the current financial year and 28.61% in financial year 2016.

## **BOJUN AGRICULTURE HOLDINGS LIMITED FOR THE YEAR ENDED 30 SEPTEMBER 2017**

### **Review of operations (continued)**

Net profit after tax (NPAT) was \$10.5 million, a 4.56% increase on 2016 NPAT of \$10.1 million. Net profit margin decreased to 13.95% in 2017 compared to 16.43% in 2016.

The Group's total asset position increased by \$9.66 million to \$51.47 million as at 30 September 2017 from \$41.81 million as at 30 September 2016.

The Statement of Cash Flows illustrates that operating cash flow remained solid at \$4.1 million (FY2016: \$1.4 million). The \$18.19 million increase of receipts from customers have been offset by an \$15.36 million net increase of payment to suppliers and employees, mainly due to variation between suppliers payment cycle and production schedule.

As at 30 September 2017, the Group remained well funded with \$11.25 million of cash at bank and working capital of \$45.77 million.

Bojun Group is an agricultural company which integrates production, scientific research, processing of agricultural products. The main products of the Company are cider vinegar and fruit confection. In order to meet the diversified demands of the market and improve market competitiveness, the Company has signed the Research and Development Cooperation Agreement with domestic and overseas universities and research institutes to research and develop the nutritional value of cider vinegar and fruit confection products. The Company has successfully registered 32 trademarks and 40 patents as of 30 September 2017.

The Company sells its products in the form of wholesale quantities to regional agents. In FY2017, the Company continually enhances its sales efforts and expanded its sales areas. The Company added a new agent in Hubei Province. In FY2017, its main business sales revenue had reached \$74.94 million, which comprised the income for sales of cider vinegar of \$56.87 million and the income for sales of fruit confection of \$18.07 million, accounting for 75.89% and 24.11% of the total sales revenue respectively. This represented an increase of \$13.19 million or 21.35% compared with the same period of FY2016.

As of 2016, the market size of cider vinegar industry is approximately RMB 4.4 billion, in which operation revenue of cider vinegar products is up to RMB 0.3 billion, representing 6.8% of the market share. The market size of the fruit confection has increased from RMB 520.4 billion in 2012 to RMB 822.4 billion in 2016, the compound annual growth rate is about 12.4% from the year 2011 to 2016.

With continuous development and expansion of the Company's business, its demand for raw materials and products keeps growing. The Company plans to build a large underground refrigeration storage for raw materials corresponding to the new demand. Construction of the unit is expected to last for 5 months, covering 400 square meters, and of which storage capacity is set at 1,500 tonnes. The freshness of its fruit will be ensured through operation of the unit, and thereby quality of terminal products are improved along with. It further expands supply of raw material in peak season for realizing economies of scale and a reduction in purchase cost.

In order to research and develop new products, the Company will develop a variety of product formulations, such as dark plum fruit confection, fermented fruit confection and chocolate fruit confection. In order to achieve this goal, the Company has performed some research and development activities on product formulations, and various samples have been developed successfully. The Company plans to invest in planting projects about new varieties of fruit trees to Australian universities and other institutions. At present, the Company signed an Agreement of R & D Memorandum of Understanding with NSW DPI HU. The fruit pomace is produced during fruit processing. The Company will utilise the fruit pomace to analyse and extract biological elements. After several tests and extraction, we can dry the fruit pomace and use it to produce protein-rich feed additive.

The Group is cautiously optimistic and expects moderate growth in the new Financial Year.

### **Significant changes in the state of affairs**

There were no other significant changes in the state of affairs of the Company during the financial year.

### **Events since the end of the financial year**

As at the date of this directors' report, the directors are not aware of any matter of circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 30 September 2017, except for:

- i. The Group has successfully listed on Australian Securities Exchange (ASX) on 1 December 2017. A total of \$7.66 million was received from issuing shares representing 25,545,013 shares at the office price of \$0.30 per share.
- ii. The Group has received a bank loan of RMB9,600,000 from Jiangxi Rural Credit Union & Rural Commercial Bank & Cooperative Bank on 23 October 2017. The term of the loan is 12 months from 23 October 2017 to 22 October 2018 attracting an annual interest rate of 9.18% and the guarantor of the loan is Nancheng County SME Credit Guarantee Center.

## **BOJUN AGRICULTURE HOLDINGS LIMITED**

### **FOR THE YEAR ENDED 30 SEPTEMBER 2017**

#### **Likely developments and expected results of operations**

To deliver a strong and sustainable growth in the volatile economic climate where market competition is further intensified, the Company will pursue the following five strategic counter measures:

- Firstly, Market Expansion Cost; The Company plans to withdraw the funds which was raised in listing and was used for business expansion to develop new markets, increase sales and boost market share. For this purpose, the Company plans to invest additional funds to develop new market through promotion and advertising, which shall enable the Company to maximise its brand awareness, competitive advantage and profitability.
- Secondly, Upgrading, Renovation and Expanding of Existing Production Plants and Production Line; In order to meet the growing market demand, the Company will increase its productivity through investing to upgrade, renovate and expand the existing production plants and its production line. The Company will add a new cider vinegar filling production line at the same time. The construction period is estimated to be 5 months.
- Thirdly, Construction of New Production Line for New Products; The Company aims to construct production lines for newly developed products, such as cider vinegar and fruit confection. The Company will build a fermentation production line covering 1000 square meters. The fermentation line consists of two segments, including a fermentation production line and a canning production line. The fermentation line which will be installed at an existing cider vinegar plant is expected to be completed in two months. The construction of the canning production line will last for one month and is expected to start in August 2018. With the establishment of the new production lines, the company is capable of distributing of new products to market in a timely and efficient manner.

#### **Product development costs**

(a) R&D projects for the development of beverage products (such as fruit wine and enzymes) Bojun China is undertaking an R&D project with Jiangxi Agricultural University to research and develop Nanfeng Mandarins. In particular, Bojun China seeks to develop new products from Nanfeng Mandarins, including pectine, flavonoids, coumarin, essential oils, dietary fibre, and natural pigments. It also seeks to upgrade and renovate the equipment used in the processing of Nanfeng Mandarins. By conducting experiments and research on Nanfeng Mandarins, Bojun China will be able to develop new products for the market, thereby enhancing its product variety to meet changing consumer needs.

(b) R&D projects for the development of fruit confection products (such as colourful fruit confection products and chocolate fruit confection products); Bojun China intends to perform research and development into new products, such as Smoked Plum Fruit Confections, Fermented Fruit Confections, and Chocolate-filled Fruit Confections. To achieve this, Bojun China intends to perform research and development into various product formulas. Bojun China has already conducted some research into product formulas and various sample products have been successfully developed.

#### **Environmental regulation**

The Company is not subject to any significant environmental regulation under Australian Commonwealth, State law or the People's Republic of China law.

#### **Corporate governance**

The Board of Directors ('the Board') of the Company is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company have adopted the third edition of the Corporate Governance Principles and Recommendations on 1 December 2016 which was released by the ASX Corporate Governance Council and became effective for financial years ending on or after 30 June 2015.

The Group's Corporate Governance Statement for the financial year end 30 September 2017 and was approved by the Board on 1 December 2017. The Corporate Governance Statement is available on the Bojun website at <http://bojunagriculture.com>.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**Information on directors**

The following information is current as at the date of this report.

**Andrew John Stoner** *Non-Executive Director and Chairman*

Experience and expertise	Mr Stoner was a member of the New South Wales Legislative Assembly, representing the electorate of Oxley from 1999 to 2015. He has also performed in the role as the Leader of the Nationals NSW (2003-2014), Deputy Premier of NSW and Minister for Trade & Investment, Tourism & Major Events, Small Business, Regional Infrastructure & Services (2011-2014). He currently holds a number of directorships at companies including Andrew Stoner & Associates Pty Ltd, Sports Aviation Flight School Australia Ltd, Aquaculture Industries Australia Ltd, Drone Innovation Ltd, Accessible Publishing Systems Pty Ltd, China Dairy Corporation Limited (CDC), Global Fortune Investment Limited (GFI) and Slasherteck Limited. In addition, Mr Stoner acts as an adviser to a number of firms, including Moelis & Co. (Australia) Ltd, Yuhu Group (Australia) Ltd, Australia China Investment Group, Australia China Entrepreneurs Club and Advisory Board Member, NSW Leaders.
Expertise / Qualifications	Master of Business Administration Bachelor of Business
Other current directorships	Sports Aviation Flight School Australia Ltd, Aquaculture Industries Australia Ltd, Drone Innovation Ltd, China Dairy Corporation Limited, Global Fortune Investment Limited Food Recycle Ltd and Slasherteck Limited
Former directorships in last 3 years	None
Special responsibilities	Non-Executive Chairman Member of Audit and Risk Committee Member of Nomination and Remuneration Committee
Interests in shares and options	20,000 shares

**Nicholas Ong** *Non-Executive Director, Company Secretary*

Experience and expertise	Mr Ong was a Principal Adviser at the Australian Securities Exchange in Perth and brings 12 years' experience in listing rules compliance and corporate governance. He has overseen the admission of over 100 companies to the official list of the ASX. Mr Ong now runs a boutique corporate advisory firm in Perth, Western Australia. He is a member of the Governance Institute of Australia and holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia. Mr Ong is currently a director of Helios Energy Limited, Tianmei Beverage Group Corporation Limited (TB8), Segue Resources Limited and CoAssets Limited, and is company secretary to TB8, Traditional Therapy Clinics Limited and Sagalio Energy Limited.
Expertise / Qualifications	Master of Business Administration Bachelor of Commerce Graduate Diploma of Applied Finance Graduate Diploma of Applied Corporate Governance Member of ACIS (Institute of Chartered Secretaries and Administrators) Member of AICD (Australian Institute of Company Directors) AGIA (Associate of Government Institute of Australia)
Other current directorships	Helios Energy Limited, Tianmei Beverage Group Corporation Limited (TB8), Segue Resources Limited and CoAssets Limited
Previous directorships	Excelsior Gold Limited, Minerals Corporation Ltd, Fraser Range Metals Group Ltd, Auroch Minerals Limited
Special responsibilities	Company Secretary Public Officer
Interests in shares and options	Nil

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

***Qingfeng Zhang*** *Non-Executive Director*

Experience and expertise	Mr Zhang is currently the President of the Jiangxi Natural Science Foundation and was also the Head Tutor at the College of Jiangxi Agricultural University. He is passionate about teaching and researching food chemistry, food biochemistry, and agricultural product processing and storage. He has published more than 50 academic papers, been granted 5 patents and is the reviewer of more than 10 academic journals, including the <i>Analytica Chimica Acta Journal</i> , <i>European Food Research and Technology Journal</i> , <i>Food and Fermentation Industries Journal</i> , and <i>Modern Food Science and Technology Journal</i> . Mr Zhang is a Graduate of the City University of Hong Kong and was the recipient of two academic prizes and the Chow Yei Ching Scholarship.
Expertise / Qualifications	Associate Professor
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Member of Audit and Risk Committee Member of Nomination and Remuneration Committee
Interests in shares and options	Nil

***Bo Zhu*** *Non-Independent, Executive director*

Experience and expertise	Bo Zhu is the founder of Bojun China and is passionate about innovation in the science and agriculture industry. He is currently director of both China Horticultural Society of Pomegranates and Jiangxi Horticultural Society, and Committee Member of the Chinese Citrus Association. In 2014, Dr Zhu was also selected to lead the '10,000 People Plan' for innovation and entrepreneurship by the Organisation Department of the Central Committee of the Communist Party of China. Dr Zhu has presided and participated in more than 20 national, provincial and municipal scientific research projects, received 6 Science and Technology Innovation Awards, published more than 30 academic papers, and been granted more than 20 patents. He has also been awarded the title of 'National Entrepreneurship Star', 'National Science Leader', and 'National Rural Rich Leader' by the Chinese government.
Expertise / Qualifications	Senior Agronomist, Jiangxi Province Professional Title Office Forest Cultivation Studies, Jiangxi Agricultural University
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Member of Nomination and Remuneration Committee
Interests in shares and options	16,352,640



**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**Zhen Yu** *Non-Independent, Executive director*

Experience and expertise	Ms. Yu has extensive experience in financial and operational management in the food and beverage industry. Between 2001 and 2011, she served as the Financial Manager of Neijing Huiyuan Beverage and Food Group Co., Ltd. She joined Bojun China in 2012 and has since held the position of Financial Manager.
Expertise / Qualifications	Bachelor degree from Jiangxi Agriculture University Senior Accountant, Ministry of Finance of the People's Republic of China
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Member of Audit and Risk Committee
Interests in shares and options	9,792,000

**Meetings of directors**

The numbers of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 September 2017, and the numbers of meetings attended by each director were:

	Directors' Meetings		Committee Members			
	A	B	Audit Committee		Nomination and Remuneration	
	A	B	A	B	A	B
Andrew John Stoner	1	1	-	-	-	-
Chen Chik (Nicholas) Ong	1	1	-	-	-	-
Qingfeng Zhang	1	1	-	-	-	-
Bo Zhu	1	1	-	-	-	-
Zhen Yu	1	1	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

Prior to listing, the Company underwent a rigorous due diligence process that covers all facets of the Company's operation, including its risk management and financial management framework. The Board of Directors noted that the various audit and risk management framework is still being implemented at the group level, and are satisfied with the progress so far. Arrangements have been put in place to have at least two meetings each year going forward. However, the Board continues to monitor the Company's audit and risk management functions on an ongoing basis.

## BOJUN AGRICULTURE HOLDINGS LIMITED FOR THE YEAR ENDED 30 SEPTEMBER 2017

### Audited Remuneration report

The directors present the Bojun Agriculture Corporation Limited 2017 Remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- Key Management Personnel (KMP) covered in this report
- Principles used to determine the nature and amount of remuneration
- Details of the remuneration
- Contractual arrangements for executives
- Non-executive director arrangements
- Share-based compensation
- Additional disclosures relating to KMP

#### a) *Key management personnel covered in this report*

Name	Position
<i>Non-executive and executive directors and key management personnel</i>	
Andrew John Stoner	Non-Executive Chairman (appointed 16 May 2017)
Chen Chik Ong	Non-Executive Director, Company Secretary (appointed 8 May 2017)
Qingfeng Zhang	Non-Executive Director (appointed 8 May 2017)
Bo Zhu	Executive Director (appointed 8 May 2017)
Zhen Yu	Executive Director (appointed 8 May 2017)
Xiaohong Fan	Chief Executive Officer (appointed 9 September 2010)
Yilin Huang	Deputy General Manager (appointed 7 July 2014)
Hui Gao	Production Manager (appointed 7 January 2013)

#### b) *Principles used to determine the nature and amount of remuneration*

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Company's directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The aim of the Nomination and Remuneration Committee is to structure a remuneration framework that is market competitive and complementary to the reward strategy and goals of the Group.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration are separate.

#### *Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, these directors. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**Remuneration report (continued)**

Under ASX listing rules the total amount paid to all Non-executive directors must not exceed in total in any financial year the amount fixed in a general meeting of the company. This amount is currently \$195,000 per annum. Non-executive directors may be paid such additional or special remuneration as the Directors decide is appropriate where a director performs extra work or services which are not in their capacity as a Director of the Company. All Directors fees include superannuation at the statutory rate if applicable. There are no retirement benefit schemes for directors other than statutory superannuation contributions.

*Executive remuneration*

The Group aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- performance incentives

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the Company and comparable market remunerations.

During the financial year-ended 30 September 2017, the executives' remuneration was only rewarded with fixed amounts hence there is no linkage to the Group's past performance.

*Voting and comments made at the last year's Annual General Meeting ('AGM')*

The Company has yet to present a Remuneration Report before an AGM for approval as this is the first full remuneration report before listing on the ASX.

**c) Details of the remuneration**

The following table shows details of the remuneration expense recognised for the Group's executive key management personnel for the current financial year measured in accordance with the requirements of the accounting standards.

**Year ended 30 September 2017**

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	PRC social security contributions	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>								
Andrew John Stoner	-	-	-	-	-	-	-	-
Chen Chik Ong	-	-	-	-	-	-	-	-
Qingfeng Zhang	-	-	-	-	-	-	-	-
<i>Executives directors</i>								
Bo Zhu*	38,155	-	-	1,907	-	-	-	40,062
Zhen Yu*	26,593	-	-	1,907	-	-	-	28,500
<i>Other key management personnel:</i>								
Xiaohong Fan*	32,374	-	-	1,907	-	-	-	34,281
Yilin Huang*	24,280	-	-	1,907	-	-	-	26,187
Hui Gao*	27,749	-	-	1,907	-	-	-	29,656
	149,151	-	-	9,535	-	-	-	158,686

\* Those directors and key management personnel were remunerated in Renminbi. The figures shown have been converted to AUD using an average exchange rate (RMB:AUD) of 0.1927 during the year ended 30 September 2017.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**Remuneration report (continued)**

**Year ended 30 September 2016**

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	PRC social security contributions	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Executive directors</i>								
Bo Zhu**	38,707	-	-	2,003	-	-	-	40,710
Zhen Yu**	27,053	-	-	2,003	-	-	-	29,056
<i>Other key management personnel:</i>								
Xiaohong Fan **	32,464	-	-	2,003	-	-	-	34,467
Yilin Huang**	24,556	-	-	2,003	-	-	-	26,559
Hui Gao**	28,302	-	-	2,003	-	-	-	30,305
	151,082	-	-	10,015	-	-	-	161,097

\*\* The directors and key management personnel were remunerated in Renminbi. The figures shown have been converted to AUD using an average exchange rate (RMB:AUD) of 0.2081 during the year ended 30 September 2016.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk – Short-term Incentives		At risk – Long-term Incentives	
	2017	2016	2017	2016	2017	2016
Andrew John Stoner	100%	100%	-%	-%	-%	-%
Chen Chik Ong	100%	100%	-%	-%	-%	-%
Qingfeng Zhang	100%	100%	-%	-%	-%	-%
Bo Zhu	100%	100%	-%	-%	-%	-%
Zhen Yu	100%	100%	-%	-%	-%	-%
Xiaohong Fan	100%	100%	-%	-%	-%	-%
Yilin Huang	100%	100%	-%	-%	-%	-%
Hui Gao	100%	100%	-%	-%	-%	-%

**d) Contractual arrangements for executive KMP**

Remuneration and other terms of employment for executive members of key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Bo Zhu
Title:	Executive Director
Agreement commenced:	8 May 2017
Term of agreement:	3 years
Details:	From 8 May 2017, Mr Zhu received an annual fixed remuneration of \$45,000. Pursuant to Mr Zhu's executive contract, Mr Zhu may resign from his position by giving 6 months' notice in writing or by making in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Mr Zhu's employment contract may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Zhu's executive contract (whether by resignation or termination), Mr Zhu will be subject to a restraint of trade period of up to 12 months. The restraint of trade period may be reduced or eliminated in its entirety at the discretion of the Company. Mr Zhu is also chairman of Bojun China, he received an annual fixed remuneration of RMB 144,000. The agreement commenced from 25 April 2015 and end on 24 April 2018. It is regulated under China Labor Contract Law.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**Remuneration report (continued)**

Name: Zhen Yu  
 Title: Executive director  
 Agreement commenced: 8 May 2017  
 Term of agreement: 3 years  
 Details: From 8 May 2017, Ms Yu received an annual fixed remuneration of \$45,000. Pursuant to Ms Yu's executive contract, Ms Yu may resign from her position by giving 6 months' notice in writing or by making in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Ms Yu's employment contract may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Ms Yu's executive contract (whether by resignation or termination), Ms Yu will be subject to a restraint of trade period of up to 12 months. The restraint of trade period may be reduced or eliminated in its entirety at the discretion of the Company. Ms Yu is also employed as Chief Financial Officer of Bojun China, she received an annual fixed remuneration of RMB90,000. The Agreement commenced from 12 March 2015 and end on 11 March 2018. It is regulated under China Labor Contract Law.

**d) Non-executive directors' arrangements**

Name: Andrew John Stoner  
 Title: Non-executive Director, Chairman  
 Agreement commenced: 6 June 2017  
 Term of agreement: Not fixed  
 Details: Mr Stoner was appointed on 6 June 2017 and agreed to receive a fixed annual fee of \$80,000 from the date of successful listing

Name: Chen Chik Ong^  
 Title: Non-executive Director, Company Secretary  
 Agreement commenced: 6 June 2017  
 Term of agreement: Not fixed  
 Details: Mr Ong was appointed on 6 June 2017 and agreed to receive a fixed annual fee of \$45,000 from the date of successful listing

Name: Qingfeng Zhang  
 Title: Non-executive Director  
 Agreement commenced: 6 June 2017  
 Term of agreement: Not fixed  
 Details: Mr Zhang was appointed on 6 June 2017 and agreed to receive a fixed annual fee of \$45,000 from the date of successful listing

^ Mr Ong also serves as the Company's Company Secretary and Public Officer for which he is paid an additional \$35,000 per annum.

**e) Other KMP arrangements**

Name: Xianhong Fan  
 Title: General Manager & Vice President  
 Agreement commenced: 6 September 2016  
 Term of agreement: Not fixed  
 Details: Annual salary of RMB150,000

Name: Yilin Huang  
 Title: Deputy General Manager  
 Agreement commenced: 7 July 2017  
 Term of agreement: 3 years  
 Details: Annual salary of RMB108,000

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**Remuneration report (continued)**

Name:	Hui Gao
Title:	Production Manager
Agreement commenced:	7 January 2016
Term of agreement:	3 years
Details:	Annual salary of RMB114,000

**f) Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 September 2017.

*Options*

There were no options over ordinary shares granted to, or that vested, with directors and other key management personnel as part of compensation during the year ended 30 September 2017.

**g) Loans given to key management personnel**

There is no loan provided to key management personnel during the years ended 30 September 2017 and 30 September 2016.

**h) Other transactions with key management personnel**

There is no other transactions with key management personnel during the years ended 30 September 2017 and 30 September 2016.

**i) Additional disclosures relating to key management personnel**

*Shareholding*

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions **	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Andrew John Stoner	-	-	-	-	-
Chen Chik Ong	-	-	-	-	-
Qingfeng Zhang	-	-	-	-	-
Bo Zhu	-	-	16,352,640	-	16,352,640
Zhen Yu	-	-	9,792,000	-	9,792,000
Xianhong Fan	-	-	8,127,360	-	8,127,360
Yilin Huang	-	-	-	-	-
Hui Gao	-	-	-	-	-
	-	-	34,272,000	-	34,272,000

\*\*As part of the group re-structuring which was completed in the current financial year, shares were issued to the directors or KMP for nil consideration and representing their previously held interest in Bojun China.

**END OF AUDITED REMUNERATION REPORT**

**Shares under option**

There were no unissued ordinary shares of Bojun Agriculture Holdings Limited under option at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of Bojun Agriculture Holdings Limited issued on the exercise of options during the year ended 30 September 2017 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has not, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or any of its controlled entities against a liability incurred as such an officer.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**Indemnity and insurance of auditor**

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**

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

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 7 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor, is compatible with the general standard of independence for auditors imposed by *the Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 7, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15. This report is made in accordance with a resolution of directors.

On behalf of the directors



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Bo Zhu  
Executive Director  
29 December 2017  
Jiangxi, China



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 BOJUN AGRICULTURE HOLDINGS LIMITED**

As lead auditor of Bojun Agriculture Holdings Limited for the year ended 30 September 2017, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Wai Aw  
Partner

**BDO East Coast Partnership**

Melbourne, 29 December 2017



**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	FY2017 \$	FY2016 \$
Sales revenue	4	74,935,867	61,747,810
Cost of sales	5	(56,033,909)	(44,081,603)
Gross profit		<u>18,901,958</u>	<u>17,666,207</u>
Other income	4	321,213	248,145
Administration expenses		(979,643)	(946,115)
Selling and distribution expenses		(3,707,026)	(3,166,050)
Research and development expenses		(2,223,252)	(1,881,510)
<b>Profit before income tax expense</b>		<b><u>12,313,250</u></b>	<b><u>11,920,677</u></b>
Income tax expense	6	(1,856,522)	(1,774,802)
<b>Net profit for the year</b>		<b><u>10,456,728</u></b>	<b><u>10,145,875</u></b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(810,186)	(5,083,749)
<b>Other comprehensive income for the year, net of tax</b>		<b><u>(810,186)</u></b>	<b><u>(5,083,749)</u></b>
<b>Total comprehensive income for the year</b>		<b><u><u>9,646,542</u></u></b>	<b><u><u>5,062,126</u></u></b>
<b>Profit for the year attributable to the owners of:</b>			
Bojun Agriculture Holdings Limited		<u>10,456,728</u>	<u>10,145,875</u>
		<b><u><u>10,456,728</u></u></b>	<b><u><u>10,145,875</u></u></b>
<b>Total comprehensive income for the year is attributable to the owners of:</b>			
Bojun Agriculture Holdings Limited		<u>9,646,542</u>	<u>5,062,126</u>
		<b><u><u>9,646,542</u></u></b>	<b><u><u>5,062,126</u></u></b>
<b>Earnings per share for profit attributable to the owners of Bojun Agriculture Holdings Limited</b>			
Basic earnings per share	24	10.89	-
Diluted earnings per share	24	10.89	-

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**AS AT 30 SEPTEMBER 2017**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>30 September 2017</b>	<b>30 September 2016</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	8	11,247,923	7,941,717
Trade and other receivables	9	22,640,054	19,662,649
Inventories	10	12,153,912	10,021,639
Prepayments and other assets	11	1,210,302	149,178
<b>Current assets</b>		<b>47,252,191</b>	<b>37,775,183</b>
Property, plant and equipment	12	2,459,293	2,203,732
Prepaid lease assets	13	1,757,939	1,831,090
<b>Non-current assets</b>		<b>4,217,232</b>	<b>4,034,822</b>
<b>Total assets</b>		<b>51,469,423</b>	<b>41,810,005</b>
Trade and other payables	14	576,956	509,237
Current tax liabilities		831,989	1,037,520
Deferred revenue	15	63,191	72,893
<b>Current liabilities</b>		<b>1,472,136</b>	<b>1,619,650</b>
Deferred tax liabilities	16	160,390	-
<b>Non-current liabilities</b>		<b>160,390</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,632,526</b>	<b>1,619,650</b>
<b>Net assets</b>		<b>49,836,897</b>	<b>40,190,355</b>
Share capital	17	972,280	972,280
Reserves	18	3,059,550	3,869,736
Retained earnings		45,805,067	35,348,339
<b>Total equity</b>		<b>49,836,897</b>	<b>40,190,355</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Issued capital	Reserves	Retained earnings	Total equity
	\$	\$	\$	\$
<b>Balance at 1 October 2015</b>	972,280	8,953,485	25,202,464	35,128,229
Profit for the year	-	-	10,145,875	10,145,875
Other comprehensive income	-	(5,083,749)	-	(5,083,749)
<b>Total comprehensive income for the year</b>	-	(5,083,749)	10,145,875	5,062,126
<b>Balance at 30 September 2016</b>	972,280	3,869,736	35,348,339	40,190,355
<b>Balance at 1 October 2016</b>	972,280	3,869,736	35,348,339	40,190,355
Profit for the year	-	-	10,456,728	10,456,728
Other comprehensive income	-	(810,186)	-	(810,186)
<b>Total comprehensive income for the year</b>	-	(810,186)	10,456,728	9,646,542
<b>Balance at 30 September 2017</b>	972,280	3,059,550	45,805,067	49,836,897

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

		<b>FY2017</b>	<b>FY2016</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		71,734,976	53,544,417
Payments to suppliers and employees		(65,890,204)	(50,526,223)
Interest received		3,710	2,329
Government grant received		134,659	57,348
Income tax paid		(1,882,899)	(1,717,597)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>23</b>	<b>4,100,242</b>	<b>1,360,274</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of property, plant and equipment		(629,771)	(155,910)
<b>CASH USED IN INVESTING ACTIVITIES</b>		<b>(629,771)</b>	<b>(155,910)</b>
<b>NET INCREASE/ (DECREASE) IN CASH</b>		<b>3,470,471</b>	<b>1,204,364</b>
<b>CASH AT BEGINNING OF THE YEAR</b>		<b>7,941,717</b>	<b>7,802,755</b>
Effect of exchange rate changes on cash and cash equivalents		(164,265)	(1,065,402)
<b>CASH AT END OF THE YEAR</b>	<b>8</b>	<b>11,247,923</b>	<b>7,941,717</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Contents of the notes to the consolidated financial statements

Note 1: Corporate Information .....	21
Note 2: Summary of Significant Accounting Policies .....	21
Note 3: Segment Reporting .....	29
Note 4: Sales Revenue and Other Income .....	31
Note 5: Expenses .....	31
Note 6: Income Tax Expense .....	31
Note 7: Auditor's Remuneration .....	32
Note 8: Cash and Cash Equivalents .....	32
Note 9: Trade and Other Receivables .....	32
Note 10: Inventories .....	33
Note 11: Prepayments and Other Assets .....	33
Note 12: Property, Plant and Equipment .....	33
Note 13: Prepaid Lease Assets .....	34
Note 14: Trade and Other Payables .....	34
Note 15: Deferred Revenue .....	34
Note 16: Deferred Tax Liabilities .....	35
Note 17: Share Capital .....	35
Note 18: Reserves .....	36
Note 19: Financial Risk Management .....	36
Note 20: Related Party Transactions .....	39
Note 21: Parent Entity .....	40
Note 22: Interests in Subsidiaries .....	40
Note 23: Reconciliation of Profit after Income Tax to Net Cash from Operating Activities .....	41
Note 24: Earnings per Share .....	41
Note 25: Contingent Liabilities .....	41
Note 26: Commitments .....	41
Note 27: Events after the End of the Reporting Period .....	41

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1: Corporate Information**

The financial statements of Bojun Agriculture Holdings Limited (the 'Company' or 'parent entity') for the year ended 30 September 2017 were authorized for issue in accordance with a resolution of the directors on 29 December 2017 and cover the Group consisting of Bojun Agriculture Holdings Limited and its subsidiaries (the 'Group').

Bojun Agriculture Holdings Limited is a company limited by shares incorporated in Australia and was established on 8 May 2017. As at the date of this report, the Company's shares have successfully listed on the Australian Securities Exchange ('ASX').

**Note 2: Summary of Significant Accounting Policies**

**Basis of preparation**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Bojun Agriculture Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on accruals basis and are based on historical costs.

**Historical cost convention**

The financial statements have been prepared under the historical cost convention.

**Restructuring**

The operating business company is Jiangxi Bojun Ecological Agriculture Development Co. Limited ('Bojun China').

The Group has been restructured as part of an IPO process with the parent entity being incorporated in Australia on 8 May 2017.

In order to IPO on the ASX, a Group restructure, commenced on 14 June 2016 and completed on 30 June 2017, resulted in:

- the acquisition of 100% of Bojun International Holding Co., Ltd ('Bojun BVI'), which is a company incorporated in the British Virgin Islands, by the Company;
- the acquisition of 100% of Hong Kong Bojun Investment Management Co., Ltd ('Bojun HK'), which is a company incorporated in Hong Kong, by Bojun BVI;
- the acquisition of 100% of Shenzhen Bojun Management Consulting Co., Ltd, which is a wholly foreign-owned enterprise incorporated in China ('WFOE'), by Bojun HK; and
- the acquisition of 100% of Bojun China by the WFOE.

Refer to 'Critical accounting judgments, estimates and assumptions' below, the Directors have elected to account for the restructure as a capital re-organisation rather than a business combination. As such, the consolidated financial statements of the Group will be presented as a continuation of the pre-existing accounting values of assets and liabilities in the Bojun China financial statements with Bojun China deemed to be the acquirer for accounting purposes. The results in the current period comprise those for Bojun China for the period 1 October 2016 to 30 September 2017, and the enlarged Group from 8 May 2017.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of Bojun Agriculture Holdings Limited and its subsidiaries at 30 September 2017. The Group was restructured as part of an IPO process and the restructure in substance represents a capital re-organisation.

Subsidiaries are all entities (including structured 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 deconsolidated from the date that control ceases.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Basis of consolidation (continued)**

Consolidated financial statements include all the subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra Group transactions have been eliminated.

Investments in subsidiaries are accounted for in the parent entity financial statements at cost.

**Foreign currency translation**

The financial statements are presented in Australian dollars which is also the parent entity's functional and presentation currency. The functional currency of the operating subsidiary Bojun China is Chinese Renminbi.

*Foreign currency transactions*

Foreign currency transactions are translated into 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 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 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**

*Sales of goods*

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 recognised when 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 recognised as a reduction of revenue as the sales are recognised.

*Interest*

Interest revenue is recognised as interest accrues 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.

*Government Grants*

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

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

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

*Trade mark and licencing income*

Trade mark and licencing income are recognised on an accrual basis in accordance with the terms of the relevant agreement, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Income tax**

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

**Current and non-current classification**

Assets and liabilities are presented in the Consolidated 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 within the 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 within the 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 are comprised of cash balances, money market funds and short-term investments with original maturities of three months or less.

**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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-current trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

**Inventories**

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Inventories (continued)**

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

**Property, plant and equipment**

Items of property 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 and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other income (loss) in the statements of profit or loss and other comprehensive income.

The cost of replacing a part of an item of property and equipment is recognised 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 derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the statement of profit or loss and other comprehensive income as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value, if any. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property 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 current period are as follows:

Buildings and building improvement	20 years
Production equipment	5 – 10 years
Furniture, fittings and equipment	3 – 5 years
Motor vehicles	4 years
Bearer plants	50 years

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

*Bearer plants*

Bearer plants of the Group comprise of fruit trees acquired as part of a leased orchard located in Jiangxi province, P.R.China. The Group plans to utilise the plants on the orchard for research and development purposes and conduct scientific experiment including fruit trees breeding, pest defence and other scientific researches.

Bearer plants are accounted for in the same way as other items of property, plant and equipment. Bearer plants are stated at cost less accumulated amortisation and impairment loss (if any). The bearer plants are amortised over the term of the lease of the orchard.

**Prepaid lease assets**

*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.

The Company owns the land use right in the Jinshankou Industrial Park to construct office building and factories on the land. The land is located in Nancheng City, it is valid for 50 years from 19 May 2013, the area is for 23,330 sqm.

**Impairment of 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Impairment of non-financial assets (continued)**

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 recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised 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 recognised.

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

**Impairment of financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if 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 has 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 amortised 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 recognised in profit or loss and reflected in 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.

**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.

**Employee benefits**

Liabilities for wages and salaries and welfare expected to be settled wholly within 12 months after the end of the reporting period are recognised in respect of employees' services rendered up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for wages and salaries and welfare are included as part of trade and other payables.

The permanent Chinese employees of the Group participate in employee social security plans, including pension, medical insurance, unemployment insurance, maternity insurance and work related injury insurance, organised and administered by governmental authorities in the People Republic of China. The Group has no other substantial commitments to employees.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Goods and Services Tax ('GST') and other similar taxes**

*GST*

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position.

*Chinese Value Added Tax ('VAT')*

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the local tax office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of VAT.

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

Commitments and contingencies are disclosed net of the amount of GST or VAT recoverable from, or payable to, the tax authority.

**Financial instruments**

***Financial assets***

*Recognition and de-recognition*

Purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*Classification*

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

***Financial liabilities***

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Earnings per Share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of Bojun Agriculture Holdings Limited, by the weighted average number of ordinary shares outstanding during the financial year.

*Diluted earnings per share*

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Critical accounting judgments, 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) are discussed below.

*Capital re-organisation*

The restructure completed during the current financial year has been determined by the directors to be in substance a capital re-organisation as the transaction did not have commercial substance from the Group's perspective, and therefore does not meet the definition of a business combination. Capital re-organisation transactions are a complex accounting area because there is no specific applicable accounting standards to these types of transactions. In the absence of specific guidance, management has used the guidance in AASB 108 'Accounting Policies, Changes in Accounting Estimates and Error' (para 10) whereby management have used its judgement in developing and applying a relevant and reliable accounting policy using pre-combination book values to account for this transaction as no substantive economic change has occurred.

*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. 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.

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

**New, revised or amending Accounting Standards and Interpretations adopted**

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or financial position of the Group.

**Accounting standards issued, not yet effective**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018). 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Accounting standards issued, not yet effective (continued)**

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.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or 'recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3: Segment Reporting**

**Description of segment**

Operating segments have been determined on the basis of reports reviewed by the Board of Directors ('Board'). The Board is considered to be the chief operating decision makers of the group. The Board considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis. The reportable segments are as follows:

The Group has two operating segments, which are fruit cider vinegar products and fruit confections products.

- Fruit cider vinegar: a natural fruit-based drink, which is produced from Nanfeng Mandarins via a fermentation process that aims to retain the natural flavours and nutritional value of the fruit, such that no artificial ingredients are used.
- Fruit confections: a fruit-based snack produced from a range of raw materials, including fruits such as strawberry, blueberry, kiwi fruit, pumpkin and Nanfeng Mandarins. These fruit confection products aim to retain the various health benefits of the fruits from which they are made.

**Entity-wide disclosures**

*Geographical information*

Sales revenues and non-current assets by geographical location is as follows:

Geographic location	Revenues from		Non-current assets	
	FY 2017	FY 2016	30 September	30 September
	\$	\$	2017	2016
			\$	\$
China	74,935,867	61,747,810	4,217,232	4,034,822
	74,935,867	61,747,810	4,217,232	4,034,822

*Major customers*

An analysis of the major customers are as follows

Revenue from customers over 10% of total revenue:	FY2017		FY2016	
	\$	%	\$	%
Customer 1	10,433,122	14%	11,308,514	18%
Customer 2	10,382,888	14%	8,015,020	13%
Customer 3	9,260,418	12%	9,636,616	16%
Customer 4	8,844,498	12%	8,337,196	14%
Customer 5	8,758,878	12%	8,573,394	14%
Customer 6	8,395,178	11%	8,293,900	13%
Customer 7	7,653,516	10%	4,555,526	7%
Sub-total	63,728,498	85%	58,720,166	95%

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3: Segment Reporting (continued)**

**Entity-wide disclosures (continued)**

*Products and services*

Revenues from external customers for each group of similar products and services are as follows:

	<b>Fruit cider vinegar products</b>	<b>Fruit confections products</b>	<b>Total</b>
<b>Segment revenue - 2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues from external customers	56,869,279	18,066,588	74,935,867
Gross profit	11,935,519	6,966,439	18,901,958
<i>Other segment profit or loss items:</i>			
Other income			321,213
Administration expenses			(979,643)
Selling and distribution expenses			(3,707,026)
Research and development expenses			(2,223,252)
Income tax expenses			(1,856,522)
Profit after income tax expense			10,456,728
<b>Segment assets and liabilities – 30 September 2017</b>			
Segment assets	12,371,012	1,162,931	13,533,943
Other segment assets			37,935,480
Total assets			51,469,423
Non-current assets - Addition	491,583	8,919	500,502
Segment liabilities	-	-	-
Other segment liabilities			1,632,526
Total liabilities			1,632,526
	<b>Fruit cider vinegar products</b>	<b>Fruit confections products</b>	<b>Total</b>
<b>Segment revenue - 2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues from external customers	45,348,042	16,399,768	61,747,810
Gross profit	11,280,939	6,385,268	17,666,207
<i>Other segment profit or loss items:</i>			
Other income			248,145
Administration expenses			(946,115)
Selling and distribution expenses			(3,166,050)
Research and development expenses			(1,881,510)
Income tax expenses			(1,774,802)
Profit after income tax expense			10,145,875
<b>Segment assets and liabilities – 30 September 2016</b>			
Segment assets	10,813,972	878,374	11,692,346
Other segment assets			30,117,659
Total assets			41,810,005
Non-current assets - Addition	45,035	16,418	61,453
Segment liabilities	-	-	-
Other segment liabilities			1,619,650
Total liabilities			1,619,650

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4: Sales Revenue and Other Income**

	<b>FY2017</b>	<b>FY2016</b>
	<b>\$</b>	<b>\$</b>
<b>Sales revenue</b>		
Sales of goods	74,935,867	61,747,810
	<u>74,935,867</u>	<u>61,747,810</u>
<b>Other income</b>		
Interest income	3,710	2,329
Trademark licensing income	174,521	188,468
Government Grant	142,982	57,348
	<u>321,213</u>	<u>248,145</u>

**Note 5: Expenses**

	<b>FY2017</b>	<b>FY2016</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax includes the following specific expenses:		
<b>Cost of sales</b>		
Cost of goods sold	56,033,909	44,081,603
	<u>56,033,909</u>	<u>44,081,603</u>
<b>Depreciation and amortisation</b>		
Building and improvement	110,546	119,378
Production equipment	130,725	123,522
Furniture, fittings and equipment	48,960	46,135
Motor vehicles	38,666	67,881
Bearer plant	2,607	-
Sub-total	<u>331,504</u>	<u>356,916</u>
Land use rights	36,020	41,470
Total depreciation and amortisation	<u>367,524</u>	<u>398,089</u>
<b>Employee benefits expenses</b>		
Employee benefits expense	3,492,228	3,262,302
Total employee benefits expenses	<u>3,492,228</u>	<u>3,262,302</u>

**Note 6: Income Tax Expense**

	<b>FY2017</b>	<b>FY2016</b>
	<b>\$</b>	<b>\$</b>
<b>Income tax expense</b>		
Current tax expense	1,696,132	1,774,802
Deferred tax expense	160,390	-
Total income tax expense in profit or loss	<u>1,856,522</u>	<u>1,774,802</u>
<b>Numerical reconciliation of income tax expense and tax at the statutory rate</b>		
Profit before income tax expense	12,313,250	11,920,677
Tax at the Australian tax rate of 30%	3,693,975	3,576,204
Oversea tax rate differential		
Tax at China tax rate of 15%	(1,846,988)	(1,788,102)
Tax effect amounts which are not deductible/(assessable) in calculating tax expense:		
Under/(over) provision in prior years	9,535	(13,300)
Total	<u>1,856,522</u>	<u>1,774,802</u>

**Applicable income tax rate**

The applicable income tax rate in 2017 and 2016 for PRC subsidiaries is 15%.



**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 7: Auditor's Remuneration**

During the year, the following fees were paid or payable for services to BDO East Coast Partnership (BDO ECP) and Wei Wei & Co LLP:

	<b>FY2017</b>	<b>FY2016</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services</b>		
Audit of the financial statements for the entity or any entity in the Group		
- BDO ECP	60,000	-
- Wei Wei & Co LLP	137,897	122,310
<b>Other services</b>		
Investigating Accountant's report		
- BDO ECP	77,963	20,000
<b>Taxation services</b>		
Tax compliance and advisory services		
- BDO ECP	10,000	5,000
	<u>285,860</u>	<u>147,310</u>

**Note 8: Cash and Cash Equivalents**

	<b>30 September</b>	<b>30 September</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	597	8,509
Cash at bank	11,247,326	7,933,208
	<u>11,247,923</u>	<u>7,941,717</u>

**Credit risk**

The maximum exposure to credit risk is the fair value of cash and cash equivalents. Refer to note 19 for more information relating to the risk management policy of the Group.

**Note 9: Trade and Other Receivables**

	<b>30 September</b>	<b>30 September</b>
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	22,640,054	19,652,344
Other receivables	-	10,305
	<u>22,640,054</u>	<u>19,662,649</u>

**Impairment of receivables**

The Group has recognised a loss of nil (2016: nil) in profit or loss in respect of impairment of receivables for the year ended 30 September 2016.

The Group did not have receivables which were past due and without provision for impairment of receivables as at 30 September 2017(30 September 2016: nil).

The Group did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

**Fair value and credit risk**

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Refer to Note 19 for more information relating to the risk management policy of the Group.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 10: Inventories**

	<b>30 September 2017</b>	<b>30 September 2016</b>
	<b>\$</b>	<b>\$</b>
Raw material – at cost	1,817,530	590,612
Work in progress – at cost	8,326,235	8,440,985
Finished goods - at cost	2,010,147	990,042
	<u>12,153,912</u>	<u>10,021,639</u>

**Note 11: Prepayments and Other Assets**

	<b>30 September 2017</b>	<b>30 September 2016</b>
	<b>\$</b>	<b>\$</b>
Prepayments	2,924	3,310
Prepaid listing fees	1,207,378	145,868
	<u>1,210,302</u>	<u>149,178</u>

**Note 12: Property, Plant and Equipment**

	<b>30 September 2017</b>	<b>30 September 2016</b>
	<b>\$</b>	<b>\$</b>
Bearer plant	86,885	-
Less Accumulated depreciation	(2,607)	-
	<u>84,278</u>	<u>-</u>
Building and improvements -at cost	1,534,022	1,563,615
Less: Accumulated depreciation	(512,331)	(410,063)
	<u>1,021,691</u>	<u>1,153,552</u>
Production equipment -at cost	1,729,898	1,250,922
Less: Accumulated depreciation	(533,320)	(410,983)
	<u>1,196,578</u>	<u>839,939</u>
Furniture, fittings and equipment -at cost	250,960	217,374
Less: Accumulated depreciation	(159,060)	(112,457)
	<u>91,900</u>	<u>104,917</u>
Motor Vehicles -at cost	283,493	288,961
Less: Accumulated depreciation	(218,647)	(183,637)
	<u>64,846</u>	<u>105,324</u>
	<u>2,459,293</u>	<u>2,203,732</u>

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 12: Property, Plant and Equipment (continued)**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year is as follows:

	<b>Bearer plant \$</b>	<b>Building and improvements \$</b>	<b>Production equipment \$</b>	<b>Furniture, fittings and equipment \$</b>	<b>Motor vehicles \$</b>	<b>Total</b>
<b>Balance at 1 October 2015</b>						
Opening net book value	-	1,450,216	988,721	108,673	193,747	2,741,357
Additions	-	-	99,056	56,854	-	155,910
Disposal	-	-	-	-	-	-
Depreciation charge	-	(119,378)	(123,522)	(46,135)	(67,881)	(356,916)
Foreign exchange translation	-	(177,286)	(124,316)	(14,475)	(20,542)	(336,619)
<b>Balance at 30 September 2016</b>	-	1,153,552	839,939	104,917	105,324	2,203,732
Additions	86,885	-	505,009	37,877	-	629,771
Depreciation charge	(2,607)	(110,546)	(130,725)	(48,960)	(38,666)	(331,504)
Foreign exchange translation	-	(21,315)	(17,645)	(1,934)	(1,812)	(42,706)
<b>Balance at 30 September 2017</b>	84,278	1,021,691	1,196,578	91,900	64,846	2,459,293

**Note 13: Prepaid Lease Assets**

	<b>30 September 2017 \$</b>	<b>30 September 2016 \$</b>
Land use rights	1,924,751	1,961,882
Less: Accumulated amortisation	(166,812)	(130,792)
	<u>1,757,939</u>	<u>1,831,090</u>

**Note 14: Trade and Other Payables**

	<b>30 September 2017 \$</b>	<b>30 September 2016 \$</b>
Trade payables	210,299	177,245
Payroll payables	248,475	238,149
Other payables	118,182	93,843
	<u>576,956</u>	<u>509,237</u>

**Note 15: Deferred Revenue**

	<b>30 September 2017 \$</b>	<b>30 September 2016 \$</b>
Deferred revenue	63,191	72,893
	<u>63,191</u>	<u>72,893</u>

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 16: Deferred Tax Liabilities**

	30 September 2017 \$	30 September 2016 \$
<i>Deferred tax liabilities comprise temporary differences attributable to:</i>		
Prepaid IPO costs	160,390	-
	<u>160,390</u>	<u>-</u>

**Movements in deferred tax liabilities**

	Balance at beginning of period \$	Charged to Profit or Loss \$	Balance at end of period \$
Prepaid IPO costs	-	160,390	160,390
	<u>-</u>	<u>160,390</u>	<u>160,390</u>

**Note 17: Share Capital**

**(a) Ordinary shares**

The share capital dollar value represents the continuation of Jiangxi Bojun Ecological Agriculture Development Co., Limited. The number of shares on issue reflect those of Bojun Agriculture Holdings Limited. Refer to Note 2 for further details of the accounting treatment applied.

	30 September 2017 Shares	30 September 2016 Shares	30 September 2017 \$	30 September 2016 \$
Ordinary shares fully paid	96,000,000	-	972,280	972,280

*Movements in ordinary share capital*

Details	Date	Number	Price	\$
Balance at 1 October 2015	-	-	-	972,280
Balance at 30 September 2016	-	-	-	972,280
Shares issued in Bojun Agriculture Holdings Limited	8 May 2017	96,000,000	-	-
Balance at 30 September 2017	-	96,000,000	-	972,280

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**(b) Capital risk management**

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There have been no significant changes to the Group's capital management objectives, policies, and processes in the year nor has there been any change in what the Group considers to be its capital.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 18: Reserves**

	30 September 2017 \$	30 September 2016 \$
Foreign currency translation reserve	1,859,188	2,669,374
Statutory reserve fund	1,200,362	1,200,362
	<u>3,059,550</u>	<u>3,869,736</u>

**Statutory reserve under the corporate law in PRC**

The reserve pursuant to corporate law of the PRC, the Group is required to transfer 10% of its net income, to a statutory reserve fund until the reserve balance reaches 50% of the Bojun China'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 utilised 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 balance has reached the required 50% of Bojun China's registered capital as at 30 September 2013. From 1 October 2013, there is no further obligation to make contributions to this reserve.

**Foreign currency translation reserve**

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

**Note 19: Financial Risk Management**

**Financial risk management objectives**

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

The Group's risk management framework is supported by the Board and management. The Board is responsible for approving and reviewing the Group's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. Management is also responsible for identifying, monitoring and managing significant business risks faced by the Group and considering the effectiveness of its internal control system. Management reports to the Board.

The overall objective of the Board is to set policies that seeks to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

At 30 September 2017 and 30 September 2016, the Group held the following financial instruments:

	30 September 2017 \$	30 September 2016 \$
<b>Financial Assets</b>		
<b>Current</b>		
Cash and cash equivalents	11,247,923	7,941,717
Trade and other receivables	22,640,054	19,662,649
	<u>33,887,977</u>	<u>27,604,366</u>
<b>Financial liabilities</b>		
<b>Current</b>		
Trade and other payables	576,956	509,237
	<u>576,956</u>	<u>509,237</u>

The fair value of these financial instruments is assumed to approximate their carrying value.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 19: Financial Risk Management (continued)**

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Receivable balances are monitored on an ongoing basis. To mitigate the credit risk associated with cash and cash equivalents, contracts are taken out only with reputable financial institutions.

**Concentration of credit exposure analysis**

The concentration of credit risk is monitored by the Group through geographical areas. The following tables show the maximum exposure to credit risk at reporting date by geographical areas.

*Analysis of credit exposure by geographical areas*

	30 September 2017 \$	30 September 2016 \$
<b>Cash and cash equivalents</b>		
Mainland China	11,247,923	7,941,717
	<u>11,247,923</u>	<u>7,941,717</u>
<b>Trade and other receivables</b>		
Mainland China	22,640,054	19,662,649
	<u>22,640,054</u>	<u>19,662,649</u>
	<u>33,887,977</u>	<u>27,604,366</u>

There was no concentration of credit risk with respect to the receivables of the Group.

**(b) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities. There were no changes in the group's liquidity risk management policies from previous periods.

**Remaining contractual maturities**

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities.

**Maturity analysis**

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<b>30 September 2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and other payables	576,956	-	-	-	-
	<u>576,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 19: Financial Risk Management (continued)**

**Maturity analysis (continued)**

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
30 September 2016	\$	\$	\$	\$	\$
Trade and other payables	509,237	-	-	-	-
	509,237	-	-	-	-

**(c) Market risk**

Market risk arises from the use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

**Foreign currency risk**

The functional currency of the operating entity of the Group is the Chinese Yuan Renminbi, whilst the presentation currency of the consolidated entity is Australian Dollars. There is also a holding company in Hong Kong that holds assets and liabilities in Hong Kong Dollars, but only transacts with other group companies. This gives rise to risks associated with translating the results and net assets of the consolidated entity from functional currency to presentation currency. The consolidated entity does not undertake any actions to mitigate such risks, focusing instead on maximising the results of the operations. The operating entities do not undertake significant levels of transactions in foreign currencies, and therefore are not subject to significant levels of market risk relating to foreign currencies. The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	2017	2016	30 September 2017	30 September 2016
<b>Australian dollars</b>				
Chinese Yuan Renminbi	0.1927	0.2081	0.1918	0.1955

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
<b>Consolidated</b>				
Chinese Yuan Renminbi	176,683,926	141,146,092	1,096,449	906,624

Based on the financial assets and financial liabilities held at 30 September 2017, a 5% variance in foreign exchange rates at year end, if all other factors had remained constant, would have resulted in a variance in the net assets of the consolidated entity by \$1,665,551. Such a variance would not have had a direct impact on profit, other than if it had impacted the average exchange rate over the year, which is the rate at which the profit or loss of foreign entities is translated into Australian Dollars.

**Price risk**

The Group is not exposed to any significant price risk.

**Interest rate risk**

The Group is not exposed to any significant interest rate risk.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 20: Related Party Transactions**

**Ultimate parent**

The parent entity of the Group is Bojun Agriculture Holdings Limited.

**Subsidiaries**

Interests in subsidiaries are set out in Note 22.

**Key Management Personnel**

The key management personnel ('KMP') of the Group is defined as any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise). Accordingly the KMP of the Group are as follows:

***Non-executive directors***

Andrew John Stoner (appointed 16 May 2017)  
 Chen Chik Ong (appointed 8 May 2017)  
 Qingfeng Zhang (appointed 8 May 2017)

***Executives directors***

Bo Zhu (appointed 8 May 2017)  
 Zheng Yu (appointed 8 May 2017)

***Other key management personnel***

Xiaohong Fan (General manager, appointed 6 September 2016)  
 Yilin Huang (Deputy general manager, appointed 7 July 2017)  
 Hui Gao (Production manager, appointed 7 January 2016)

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	FY2017	FY2016
	\$	\$
Short-term employee benefits	158,686	161,097
Total KMP Compensation	<u>158,686</u>	<u>161,097</u>

***Issue of shares***

Details of shares issued to directors and other key management personnel as part of the group restructure are set out below:

<b>Name</b>	<b>Date</b>	<b>No of shares</b>
Bo Zhu	8 May 2017	16,352,640
Zhen Yu	8 May 2017	9,792,000
Xianhong Fan	8 May 2017	8,127,360



**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 21: Parent Entity**

The following information relates to the parent entity Bojun Agriculture Holdings Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 2. Bojun Agriculture Holdings Limited was established on 8 May 2017.

	<b>Parent 2017 \$</b>
Current assets	1,207,378
Non-current assets	972,280
<b>Total assets</b>	<b>2,179,658</b>
Current liabilities	1,207,378
Non-current liabilities	-
<b>Total liabilities</b>	<b>1,207,378</b>
Contributed equity	972,280
Retained earnings	-
<b>Total equity</b>	<b>972,280</b>
Profit/(loss) for the year	-
<b>Total comprehensive income for the year</b>	<b>-</b>

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 September 2017.

*Contractual commitments for the acquisition of property, plant and equipment*

The parent entity had no contractual commitments as at 30 September 2017.

**Note 22: Interests in Subsidiaries**

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

<b>Name of entity</b>	<b>Countries of incorporation</b>	<b>Ownership interest</b>	
		<b>30 September 2017 %</b>	<b>30 September 2016 %</b>
Bojun International Holdings Co., Ltd	British Virgin Island	100	-
Hong Kong Bojun Investment Management Co., Ltd	Hong Kong	100	-
Shenzhen Bojun Management Consulting Co., Ltd	People's Republic of China	100	-
Jiangxi Bojun Ecological Agriculture Development Co., Limited	People's Republic of China	100	-

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 23: Reconciliation of Profit after Income Tax to Net Cash from Operating Activities**

	<b>FY2017</b>	<b>FY2016</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	10,456,728	10,145,875
Adjustments for:		
Depreciation and amortisation	367,524	398,386
Foreign exchange difference	(575,786)	(3,411,304)
<b>Change in operating assets and liabilities:</b>		
Increase in trade and other receivables	(2,977,405)	(6,166,624)
(Increase)/decrease in inventories	(2,132,273)	553,153
Increase in prepayments	(1,061,124)	(145,974)
decrease in current tax liabilities	(205,531)	(89,674)
Increase in deferred tax liabilities	160,390	-
increase in trade and other payables	67,719	76,436
Net cash from operating activities	<u>4,100,242</u>	<u>1,360,274</u>

**Note 24: Earnings per Share**

	<b>FY2017</b>
	<b>\$</b>
Basic earnings per share	10.89
Diluted earnings per share	10.89
<i>Earnings per share for profit</i>	
Profit after income tax	10,456,728
Weighted average number of ordinary shares used in calculating basic earnings per shares	96,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per shares	96,000,000

**Note 25: Contingent Liabilities**

The Group had no contingent liabilities as at 30 September 2017 and 30 September 2016.

**Note 26: Commitments**

The Group had no commitments as at 30 September 2017 and 30 September 2016.

**Note 27: Events after the End of the Reporting Period**

As at the date of this report, the directors are not aware of any matter of circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 30 September 2017, except for:

- i. The Group has successfully listed on the Australian Securities Exchange (ASX) on 1 December 2017. A total of \$7.66 million was received from issuing shares representing 25,545,013 shares at the offer price of \$0.30 per share.
- ii. The Group has received a bank loan of RMB9,600,000 from Jiangxi Rural Credit Union & Rural Commercial Bank & Cooperative Bank on 23 October 2017. The term of the loan is 12 months from 23 October 2017 to 22 October 2018 attracting an annual interest rate of 9.18% and the guarantor of the loan is Nancheng County SME Credit Guarantee Center.

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**DIRECTORS' DECLARATION**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporation Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 September 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



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Bo Zhu  
Executive Director

29 December 2017  
Jiangxi, China



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 REPORT

To the members of Bojun Agriculture Holdings Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Bojun Agriculture Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 September 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 September 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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



## Key audit matters

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

### Revenue Recognition

Key audit matter	How the matter was addressed in our audit
<p>The Group has a revenue stream which is material to the financial report. Sales revenue is generated from the manufacturing and sales of fruit vinegar and fruit confectionery products.</p> <p>Revenue recognition was identified as a key audit matter due to the significance of revenue to the financial report.</p> <p><i>Refer to Note 4 for revenue of the Group and the accounting policy for revenue recognition in Note 2.</i></p>	<p>Our audit strategy to address this matter, amongst others:</p> <ul style="list-style-type: none"><li>• Assessing the Group's accounting policy for revenue to ensure it has been correctly formulated in accordance with the Australian Accounting Standards</li><li>• Understanding and documenting the processes and controls used by the Group in recording revenue</li><li>• Reviewing the terms and conditions of the executed agreements and ensuring that the appropriate accounting treatment has been correctly applied</li><li>• Performing analytical procedures to understand movements and trends in revenue for comparisons against expectations</li><li>• Evaluating the existence and completeness of sales revenue through seeking direct independent confirmations from the Group's distributors</li><li>• Performing a test of detail on revenue transactions by substantiating revenue recognised through to relevant supporting documentation</li><li>• Performing cut off procedures by testing a sample of items of revenue recognised pre and post the balance date</li><li>• Considering the impact of potential returns or exchange requests subsequent to the year end and the appropriateness of relevant accounting treatment</li></ul>



### **Audit strategy for overseas operations**

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group's structure comprises significant overseas operations. The existence of such operations heightens the importance of engaging with the component auditor to mitigate the risks associated with delivering an audit in a location and regulatory environment other than Australia.</p> <p><i>The accounting policy for the basis of consolidation is described in Note 2, over the controlled entities as disclosed in Note 22 of the accompanying financial report.</i></p>	<p>Our audit strategy to address this matter, amongst others:</p> <ul style="list-style-type: none"><li>• Gaining an understanding of the Group, its components and the environment they operate in to identify the risks of material misstatement to the Group's financial report</li><li>• Engaging a component auditor in the People's Republic of China. As part of this we evaluated:<ul style="list-style-type: none"><li>• Their understanding of the ethical requirements and their professional competence to ensure they were competent and independent</li><li>• Whether we could be sufficiently involved in the work of the component auditor and determined that a senior staff member from our Australian audit team would visit the component auditor and undertake a detailed review of their working papers</li></ul></li><li>• Discussing with the component auditor:<ul style="list-style-type: none"><li>• The business activities of the components that were significant to the group audit</li><li>• The susceptibility of the component's financial information to material misstatement from fraud and error</li></ul></li></ul>

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 September 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 September 2017.

In our opinion, the Remuneration Report of Bojun Agriculture Holdings Limited, for the year ended 30 September 2017, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

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

### **BDO East Coast Partnership**

BDO  


Wai Aw  
Partner

Melbourne, 29 December 2017

## ASX ADDITIONAL INFORMATION

For the financial year ended 30 September 2017

### SHAREHOLDER INFORMATION AS AT 1 DECEMBER 2017

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

**1. A statement disclosing the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period; identify recommendations that have not been followed and reasons for not following them.**

In accordance with the 3rd edition ASX Corporate Governance Council's Principles and Recommendations, the FY2017 Corporate Governance Statement, as approved by the Board, is available on the Company's website at <http://www.bojunagriculture.com/lxwm.html> under *Corporate Governance*. The Corporate Governance Statement sets out the extent to which the Company has followed the ASX Corporate Governance Council's Recommendations during the financial year ended 30 September 2017.

**2. Substantial shareholders**

The number of securities held by substantial shareholders and their associates are set out below:

**Fully paid Ordinary Shares**

Name	Number of shares	Percentage
Bo Zhu	16,352,640	13.46%
Zhen Yu	9,792,000	8.06%
Xianhong Fan	8,127,360	6.69%
Zhengxing Liu	7,920,000	6.52%
Aidong Sun	6,480,000	5.33%
Li Yi	6,240,000	5.14%

**3. Number of security holders and securities on issue**

Bojun has issued the following securities:

- 121,512,013 fully paid ordinary shares held by 471 shareholders;
- There were no unissued ordinary shares of Bojun Agriculture Holdings Limited under option at the date of this report.
- There were no ordinary shares of Bojun Agriculture Holdings Limited issued on the exercise of options during the year ended 30 September 2017 and up to the date of this report.
- There were no performance rights of Bojun Agriculture Holdings Limited at the date of this report.



#### 4. Voting rights

##### Ordinary shares

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

#### 5. Distribution of security holders

##### a) Fully paid Ordinary Shares

Holdings Ranges	Holders	Total Units	%
5,001-10,000	254	1,853,621	5.139
10,001-100,000	148	5,816,045	16.123
100,001-99,999,999,999	69	113,842,347	78.738
<b>Totals</b>	<b>471</b>	<b>121,512,013</b>	<b>100.000</b>

#### 6. Unmarketable parcel of shares

There was no unmarketable parcel of shares of Bojun Agriculture Holdings Limited at the date of this report.

#### 7. Twenty largest fully paid ordinary shareholders of quoted equity securities

##### **Fully paid ordinary shares**

Details of the 20 largest shareholders by registered shareholding:

	Name	Balance as at 01-12-2017	%
1	Bo Zhu (Founder And Executive Director)	16,352,640	13.458%
2	Zhen Yu(Executive Director)	9,792,000	8.058%
3	Xianhong Fan(Chief Executive Officer)	8,127,360	6.689%
4	Zhenxing Liu	7,920,000	6.518%
5	Aidong Sun	6,480,000	5.333%
6	Li Yi	6,240,000	5.135%
7	Xiaomao Huang	4,896,000	4.029%
8	Yiran Xu	4,896,000	4.029%
9	Zhiliang Zhu	4,896,000	4.029%
10	Xiaobei Huang	4,320,000	3.555%
11	Ian Trump International Limited	3,840,000	3.160%
12	Wen Wang	3,840,000	3.160%

13	Wei Yuan	3,840,000	3.160%
14	Wahoo Holdings Limited	2,880,000	2.370%
15	Yan Zhang	2,880,000	2.370%
16	Beijing Yuanjing Zhenrong Software Technology Co Ltd	2,400,000	1.975%
17	Beijing Lianchuang Guangda Science & Technology Co Ltd	1,920,000	1.580%
18	Lee Shing Kan	1,333,334	1.097%
19	Ran Tao	1,305,458	1.074%
20	Wei Zhou	974,222	0.802%

**8. The number and class of restricted securities or securities subject to voluntary escrow that are on issue and the date that the escrow period ends:**

Class of restricted securities	Number of restricted securities or securities subject to voluntary escrow	Escrow period	Date of the escrow period ends
FPO	34,272,000	24 months from the date of the admission to the official list of ASX	29/11/2019
FPO	51,168,000	12 months from the date of the admission to the official list of ASX	29/11/2018

**9. Unquoted securities**

None

**10. On market buy-back**

There is no current on market buy-back.

**11. Statement regarding use of cash and assets.**

During the period between 30 September 2017 and 1 December 2017, Bojun Agriculture Holdings Limited has used its cash and assets readily convertible to cash that it had at the time of ASX admission in a way consistent with its business objectives set out in the replacement prospectus dated 5 September 2017.