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Jiajiafu Modern Agriculture

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES

ACN 607 739 159

HALF-YEAR REPORT ENDED 31 DECEMBER 2017

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Jiajiafu Modern Agriculture Limited – Half Year Report

CORPORATE DIRECTORY

Directors	Mr Qingkai Li Mr Wenyuan Zhao Mr Zhiguo Li Mr Haizhu Cai
Secretary	Mr Zhiguo Li
Registered Office	C:/ ABL Accounting & Taxation Pty Ltd Suite 402, 368 Sussex Street Sydney NSW 2000
Principal Place of Business in Australia	Suite 402, 368 Sussex Street Sydney NSW 2000
Principal Place of Business in China	13th floor, Block A, New Asia Fortune Plaza Qingzhou, Shandong Province, China
Share Register	Advanced Share Registry Services 110 Stirling Highway Nedlands WA 6009
Auditor	Nexia Melbourne Audit Pty Ltd Level 12, 31 Queen Street Melbourne, VIC 3000
Bankers	ANZ Bank 382 Victoria Ave, Chatswood NSW 2067 ICBC Bank Sydney Branch Level 1, 220 George Street Sydney NSW 2000
Website address	http://www.jjfma.com

**Jiajiafu Modern Agriculture Limited
– Half Year Report**

Appendix 4D

Half Year Report Given to the ASX under Listing Rule 4.2A

Name of entity

Jiajiafu Modern Agriculture Limited

ABN

82 607 739 159

Reporting period

Half Year ended 31 December 2017

Previous corresponding period

Half Year ended 31 December 2016

1. Results for Announcement to the Market

Revenue from continuing operations	Up	14%	to	\$20,759,718
Profit from ordinary operations after income tax attributable to members	Up	20%	to	\$3,354,398
Net profit for the period attributable to members	Up	20%	to	\$3,354,398
Net tangible asset value per share	As at 31 December 2017			44.38 cents
	As at 30 June 2017			39.42 cents

2. Review of Operations

A review of operations is included in the Directors' Report.

3. Details of Controlled Entities

No gain or loss of control of other entities occurred in the period.

4. Details of Associates and Joint Venture Entities

No gain or loss of control of other entities occurred in the period.

5. Dividends

No dividend for the half year ended 31 December 2017 has been declared or paid to shareholders.

6. Audit Disputes or Qualifications

There are no audit disputes or qualifications.

7. Accounting Standards

Australian Accounting Standards have been used in complying the information contained in Appendix 4D.

**JIAJIAFU MODERN AGRICULTURE LIMITED
AND ITS CONTROLLED ENTITIES**
ACN 607 739 159

**Consolidated Financial Statements
For the Half Year Ended 31 December 2017**

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Directors' Report

31 December 2017

1. General Information

The following persons were directors of Jiajiafu Modern Agriculture Limited during the period and up to the date of this report, unless otherwise stated:

Mr Qingkai Li	
Mr Wenyuan Zhao	
Mr Chen Chik (Nicholas) Ong	(Resigned 21 November 2017)
Mr Peter (Yap Ting) Wong	(Resigned 21 November 2017)
Mr Zhiguo Li	
Mr Haizhu Cai	(Appointed 31 January 2018)

2. Principal activities

The Group produces and sells a wide range of fresh produce, such as cucumbers, tomatoes, eggplants, peppers and dandelion leaves. The Group also trades in agriculture supplies, such as fertilizers and pesticides.

3. Review of operations

The Group recorded sales revenue of \$20,146,952 for the half-year ended 31 December 2017, compared to \$18,142,033 for the corresponding period. This represents an increase of 11%. The sales growth mainly achieved through the increase of yield volume.

Net profit after tax from continuing operations increased from \$2,791,766 in the half-year ended 31 December 2016 to \$3,354,398 in the half-year ended 31 December 2017. The gross margin was consistent with the corresponding period. The Group achieved a better control over its administration expenses.

In prior year the Group expanded its plantation areas for vegetables growing by 131 hectares and built up 135 new vegetables greenhouses to increase its vegetables growing capacity. Those have been gradually put into use in the first half year of 2018. Therefore, the Group achieved an encouraging result due to the increase in the yield volume. The revenue generated from the sales of fresh produce was \$19.3 million, which increased by \$4.2 million compared to \$15.1 million of revenue recorded in the half-year ended 31 December 2016. In addition, the sales of agricultural supplies contributed \$0.8 million revenue during the year, which decreased by \$2.2 million compared with the half-year ended 31 December 2016.

With increase in the plantation area of 131 hectares and 135 new vegetables green house, it is expected that the Group will achieve a steady increase in vegetable yield volume and a significant increase in sales revenue in the current financial year.

4. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial period.

5. Dividends

By the date of this report, the Board is yet to make a decision on dividend payment for the financial period ended 31 December 2017.

Directors' Report (Continued)

31 December 2017

6. Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on Page 9 to these half year financial statements.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Qingkai Li
Executive Chairman

27 February 2018
Qingzhou, China

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF JIAJIAFU MODERN AGRICULTURE LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017 there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.



Nexia Melbourne Audit Pty Ltd
Melbourne



Richard S. Cen
Director

Dated this 27th day of February 2018

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Half-Year Ended 31 December 2017

	Notes	Consolidated	
		Half-Year ended 31 December 2017 \$	Half-Year ended 31 December 2016 \$
Revenue	5	20,759,718	18,151,510
Other income		18,100	98,562
Share of profits from interest in associate accounted for using the equity method		-	20,816
Expenses			
Cost of sales		(16,438,974)	(14,248,891)
Administration expenses		(599,879)	(752,937)
Sales expenses		(231,552)	(206,468)
Other expenses		(15,101)	(114,892)
Interest expenses		(137,914)	(155,934)
Profit before income tax		3,354,398	2,791,766
Income tax expense		-	-
Profit for the period		3,354,398	2,791,766
Other comprehensive income			
<i>Items that maybe reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		870,307	(503,070)
Share of the associate's other comprehensive income/(loss)		-	(77,723)
Other comprehensive income/(loss) for the period, net of tax		870,307	(580,793)
Total comprehensive income for the period		4,224,705	2,210,973
Profit for the period is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		3,354,398	2,791,766
		<u>3,354,398</u>	<u>2,791,766</u>
Total comprehensive income for the period is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		4,224,705	2,210,973
		<u>4,224,705</u>	<u>2,210,973</u>

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
(continued)**

For The Half-Year Ended 31 December 2017

	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	3.94	4.11
Diluted earnings per share	3.94	4.11
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	3.94	4.11
Diluted earnings per share	3.94	4.11

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

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	Consolidated 31 December 2017 \$	30 June 2017 \$
Assets			
Current assets			
Cash and cash equivalents		8,438,728	7,850,952
Trade and other receivables	7	2,571,486	2,455,517
Prepayments		-	95,481
Inventories		479	492
Biological assets	8	5,524,566	921,645
Total current assets		<u>16,535,259</u>	<u>11,324,087</u>
Non-current assets			
Property, plant and equipment	9	22,556,585	22,873,138
Prepaid lease assets	10	4,009,388	4,406,071
Intangible assets		42,920	47,221
Available-for-sale financial assets		98,344	96,030
Total non-current assets		<u>26,707,237</u>	<u>27,422,460</u>
Total assets		<u>43,242,496</u>	<u>38,746,547</u>
Liabilities			
Current liabilities			
Trade and other payables	11	1,237,429	824,179
Borrowings	12	3,933,756	4,071,677
Total current liabilities		<u>5,171,185</u>	<u>4,895,856</u>
Non-current liabilities			
Other payables		-	-
Deferred revenue		220,225	224,310
Total non-current liabilities		<u>220,225</u>	<u>224,310</u>
Total liabilities		<u>5,391,410</u>	<u>5,120,166</u>
Net assets		<u>37,851,086</u>	<u>33,626,381</u>
Equity			
Share capital		25,960,975	25,960,975
Translation reserve		576,737	(293,570)
Retained earnings		11,313,374	7,958,976
Total equity		<u>37,851,086</u>	<u>33,626,381</u>

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

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated Statement of Changes in Equity
For The Half-Year Ended 31 December 2017

	Share Capital	Translation reserve	Share-based payment reserve	Retained earnings	Total equity
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2017	25,960,975	(293,570)	-	7,958,976	33,626,381
Profit for the year	-	-	-	3,354,398	3,354,398
Other comprehensive income for the year	-	870,307	-	-	870,307
Total comprehensive income for the year	-	870,307	-	3,354,398	4,224,705
<i>Transactions with owners in their capacity as owners</i>	-	-	-	-	-
Balance at 31 December 2017	<u>25,960,975</u>	<u>576,737</u>	<u>-</u>	<u>11,313,374</u>	<u>37,851,086</u>

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

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

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated Statement of Cash Flows
For The Half-Year Ended 31 December 2017

	Consolidated	
	Half-Year ended 31 December 2017 \$	Half-Year ended 31 December 2016 \$
Cash flows from operating activities		
Receipts from customers	20,694,590	18,299,370
Payments to suppliers	(19,963,083)	(15,009,589)
Interest paid	(137,914)	(155,935)
Interest received	18,100	98,562
	<u>611,693</u>	<u>3,232,408</u>
Net cash generated from operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	-	(3,877,032)
Payments for leased assets	-	(1,002,142)
Repayments from associate entity	-	1,440,914
Proceeds from sales of subsidiaries	-	188,887
	<u>-</u>	<u>188,887</u>
Net cash used in investing activities	<u>-</u>	<u>(3,249,373)</u>
Cash flows from financing activities		
Proceeds from borrowings	-	235,740
Repayments of borrowings	(231,871)	(263,243)
Proceeds from related party	11,775	-
Repayment of related party loans	-	(8,484)
	<u>(220,096)</u>	<u>(35,987)</u>
Net cash used in financing activities		
Net increase/(decrease) in cash and cash equivalents	391,597	(52,952)
Cash and cash equivalents at the beginning of year	7,850,952	6,941,707
Effects of exchange rate changes on cash and cash equivalents	196,179	(130,689)
	<u>8,438,728</u>	<u>6,758,066</u>
Cash and cash equivalents at the end of period		

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

**Notes to the Consolidated Financial Statements
For The Half-Year Ended 31 December 2017**

Note 1 Corporate information

The financial statements of Jiajiafu Modern Agriculture Limited for the period ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 27 February 2018 and covers Jiajiafu Modern Agriculture Limited as the consolidated entity consisting of Jiajiafu Modern Agriculture Limited and its subsidiaries as required by the *Corporations Act 2001*. Jiajiafu Modern Agriculture Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars. The functional currency of Jiajiafu Modern Agriculture Limited and its subsidiaries is Chinese Yuan Renminbi.

Jiajiafu Modern Agriculture Limited is a company limited by shares incorporated in Australia and was established on 24 August 2015. The Company's shares are publicly traded on the Australian Securities Exchange.

The Group produces and sells a wide range of fresh produce, such as cucumbers, tomatoes, eggplants, peppers and dandelion leaves. The Group also trades in agriculture supplies, such as fertilizers and pesticides.

Note 2 Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard *AASB 134 'Interim Financial Reporting'*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting *Standard IAS 34 'Interim Financial Reporting'*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the financial report for the year ended 30 June 2017.

New, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amended 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 position of the consolidated entity.

Note 3 Critical accounting judgements, estimates and assumptions

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

**Notes to the Consolidated Financial Statements
For The Half-Year Ended 31 December 2017**

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

Estimation of useful lives of assets

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

Provision for impairment of receivables

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

Fair value of biological assets

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

Recognition of buildings with pending legal title ownership

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

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.

Unrecognition of deferred tax asset for carried forward tax losses

The Group incurred tax losses since the sales of vegetables and agriculture products were exempted from income tax. The unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The management believes it is more likely than not that the net deferred tax assets position of the Group will not be fully realisable in the future. Therefore, the Group did not recognise any deferred tax assets arising from the tax losses.

Note 4 Segment Information

Description of segment

The Group's segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the Board of directors that makes strategic decisions).

The Group has only one operating segment, which is mainly to grow and sell agricultural produce (i.e. vegetables and dandelion leaves) and sell agriculture supplies.

**JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**Notes to the Consolidated Financial Statements
For The Half-Year Ended 31 December 2017**

Note 5 Revenue

	Consolidated	
	Half-Year ended 31 December 2017 \$	Half-Year ended 31 December 2016 \$
<i>Sales revenue</i>		
Sales of goods	20,146,952	18,142,033
<i>Other revenue</i>		
Government grants	<u>612,766</u>	<u>9,477</u>
	<u>20,759,718</u>	<u>18,151,510</u>

Note 6 Dividends

By the date of this report, no dividend for the financial period ended 31 December 2017 has been declared or paid to shareholders by the Group (2017: nil).

Note 7 Trade and Other Receivables

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
Trade receivables	2,551,852	2,379,189
Other receivables		
Refundable GST	16,481	73,249
Others	<u>3,153</u>	<u>3,079</u>
	<u>2,571,486</u>	<u>2,455,517</u>

Note 8 Biological Assets

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
Biological assets – at fair value	<u>5,524,566</u>	<u>921,645</u>

a) Reconciliation of changes in carrying amount of biological assets

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
Opening balance	921,645	872,446
Change in fair value	890,022	187,523
Increase due to purchases	19,479,070	30,460,437
Decrease due to harvests	(15,869,011)	(30,551,871)
Net exchange difference	<u>102,840</u>	<u>(46,890)</u>
Closing balance	<u>5,524,566</u>	<u>921,645</u>

**JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**Notes to the Consolidated Financial Statements
For The Half-Year Ended 31 December 2017**

Note 8 Biological Assets (continued)

b) Measurement of fair values

Biological assets held by the group are immature vegetables to be harvested in the subsequent period. The biological assets start with preparation of land for planting seedlings and end with the harvesting of crops in the form of mature vegetables. Thereafter, mature vegetables are directly sold to the market located nearby. Consistent with this process, the fair value of vegetables is determined by an independent valuation using the market approach by reference to the active market price, estimated agriculture produce and reasonable costs to sell. The fair value measurements for the Group's biological assets have been categorised into the Level 2 hierarchy.

Note 9 Property, plant and equipment

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
Buildings & Plant Facilities - at cost	4,800,975	4,688,021
Less: Accumulated depreciation	<u>(2,123,843)</u>	<u>(1,872,115)</u>
	<u>2,677,132</u>	<u>2,815,906</u>
Green House	22,455,205	21,926,893
Less: Accumulated depreciation	<u>(3,042,279)</u>	<u>(2,438,797)</u>
	<u>19,412,926</u>	<u>19,488,096</u>
Office and Other Equipment	89,177	87,079
Less: Accumulated depreciation	<u>(55,352)</u>	<u>(49,280)</u>
	<u>33,825</u>	<u>37,799</u>
Motor Vehicles	368,624	359,952
Less: Accumulated depreciation	<u>(78,828)</u>	<u>(61,188)</u>
	<u>289,796</u>	<u>298,764</u>
Bearer Plant	381,083	372,117
Less: Accumulated depreciation	<u>(238,177)</u>	<u>(139,544)</u>
	<u>142,906</u>	<u>232,573</u>
Total Property, Plant and Equipment – at cost	28,095,064	27,434,062
Less: Accumulated depreciation	<u>(5,538,479)</u>	<u>(4,560,924)</u>
Total Net Property, Plant and Equipment	<u>22,556,585</u>	<u>22,873,138</u>

Notes to the Consolidated Financial Statements
For The Half-Year Ended 31 December 2017

Note 9 Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Buildings & Plant facilities \$	Green House \$	Office and Other Equipment \$	Motor Vehicles \$	Bearer Plant \$	Total \$
Balance at 1 July 2017	2,815,906	19,488,096	37,799	298,764	232,573	22,873,138
Depreciation expense	(202,983)	(535,132)	(4,801)	(15,881)	(93,594)	(852,391)
Exchange differences	64,209	459,962	827	6,913	3,927	535,838
	<u>64,209</u>	<u>459,962</u>	<u>827</u>	<u>6,913</u>	<u>3,927</u>	<u>535,838</u>
Balance at 31 December 2017	<u>2,677,132</u>	<u>19,412,926</u>	<u>33,825</u>	<u>289,796</u>	<u>142,906</u>	<u>22,556,585</u>

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Notes to the Consolidated Financial Statements
For The Half-Year Ended 31 December 2017

Note 10 Prepaid Lease Assets

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Prepaid lease of buildings and fixtures – at cost	1,230,000	1,201,061
Less: accumulated amortisation	(138,049)	(109,101)
Prepaid rental of farmland – at cost	4,001,908	3,907,753
Less: accumulated amortisation	<u>(1,084,471)</u>	<u>(593,642)</u>
	<u><u>4,009,388</u></u>	<u><u>4,406,071</u></u>

Note 11 Trade and Other Payables

	Note	Consolidated	
		31 December 2017	30 June 2017
		\$	\$
Trade payables		667	12,616
Other payables			
Loans due to directors	a)	185,112	168,937
Payables assumed during acquisition of subsidiary	b)	203,071	199,960
Accrued rental		677,102	330,585
Payables to other related parties		3,934	1,921
Others		<u>167,543</u>	<u>110,160</u>
		<u><u>1,237,429</u></u>	<u><u>824,179</u></u>

a) Loans due to directors are interest free, unsecured and at call.

b) The payable of RMB 1,041,069 equivalent to \$203,071 as at 31 December 2017 (30 June 2017: \$199,960) were assumed during the acquisition of the subsidiary, JJF Shenzhen.

Note 12 Borrowings

	Note	Consolidated	
		31 December 2017	30 June 2017
		\$	\$
Unsecured			
BOC Fudeng Village Bank		-	230,472
Secured			
Shanghai Pudong Development Bank	a)	<u>3,933,756</u>	<u>3,841,205</u>
		<u><u>3,933,756</u></u>	<u><u>4,071,677</u></u>

a) On 24 January 2018, the Group renewed the loans with a total principal of RMB 20 million equivalents to \$3,933,756 from Shanghai Pudong Development Bank ('SPDB') with an interest rate of SPDB's base loan interest rate plus 3.51%. This loan is guaranteed by Mr Li, CEO and Director of the Group, and a Chinese state-owned company. The loans will mature on 24 July 2018.

**Notes to the Consolidated Financial Statements
For The Half-Year Ended 31 December 2017**

Note 13 Contingencies

The consolidated entity has no contingent liabilities and capital commitments as at 31 December 2017 (30 June 2017: Nil).

Note 14 Related Party Transactions

Transactions with related parties

Mr Qingkai Li, CEO and Director, provided personal guaranty for total loan facilities of RMB 20 million (equivalent to \$3,933,756) from Shanghai Pudong Development Bank ('SPDB').

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

For the half-year ended 31 December 2017 fees other than director's fees paid to Mr Guozhi Li were \$91,643. The payments were in respect of his additional consulting services to the Group in this period.

Amount due from/to related parties

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

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
<i>Loans due to related parties</i>		
Loans due to Mr Qingkai Li (CEO and Director)	184,595	168,421
Payable to Mr Wenyuan Zhao (Director)	517	516
Payable to other related party	3,934	1,921

Terms and conditions

Loans to/from related parties are unsecured, non-interest bearing and payable on call.

Note 15 Events Occurring after the Reporting Period

No matters or circumstances have arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Declaration by Directors

The directors of the company declare that:

(a) The financial statements and notes set out on pages 10 to 21 are in accordance with the *Corporations Act 2001* and:

(i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

(b) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Qingkai Li
Executive Chairman

27 February 2018
Qingzhou, China

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF JIAJIAFU MODERN AGRICULTURE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Jiajiafu Modern Agriculture Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Jiajiafu Modern Agriculture Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Jiajiafu Modern Agriculture Limited.

Conclusion

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

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

The logo for Nexia, featuring the word "Nexia" in a blue, cursive script font.

Nexia Melbourne Audit Pty Ltd
Melbourne

A blue ink signature of Richard S. Cen, consisting of several overlapping loops and a long horizontal stroke.

Richard S. Cen
Director

Dated this 27th day of February 2018

