

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES

ABN 82 607 739 159

**Appendix 4E
Preliminary Final Report
for the year ended 30 June 2018**

1. Details of the reporting period

Current Period: 1 July 2017 – 30 June 2018
Previous Corresponding Period: 1 July 2016 – 30 June 2017

2. Results for announcement to the market

2.1 Revenue from continuing operations	Increase	32%	to	\$52,538,501
2.2 Profit from continuing operations after income tax attributable to members	Increase	241%	to	\$6,000,935
2.3 Net profit for the period attributable to members	Increase	241%	to	\$6,000,935

2.4 Dividends

No dividend was declared or paid during the year.

2.5 Explanation of Results

Revenue

The Group recorded total revenue of \$52,538,501 for the financial year ended 30 June 2018, compared to \$39,682,173 for the corresponding period of 2017. This represents an increase of 32%. The sales growth mainly achieved through the increase of yield volume. In addition, the fresh vegetable market condition was better than the prior year with increases in sales prices.

Net profit after tax from continuing operations

Net profit after tax from continuing operations increased from \$1,760,052 in financial year 2017 to \$6,000,935 in financial year 2018, which was mainly due to the increase in gross profit by \$4 million.

For further information refer to commentary on review of operations in section 14.

**3. Consolidated Statement of Profit or Loss and Other Comprehensive Income
 For the Year Ended 30 June 2018**

	Notes	Consolidated FY2018 \$	FY2017 \$
Revenue from continuing operations	3.1	52,538,501	39,682,173
Share of profits from interest in associate accounted for using the equity method		-	58,593
Other income		19,098	140,293
Expenses			
Cost of sales		(44,553,927)	(35,717,684)
Administration expenses		(1,111,669)	(1,407,213)
Sales expenses		(485,707)	(425,766)
Other expenses		(133,608)	(271,822)
Interest expenses		(271,753)	(298,522)
Profit before income tax		6,000,935	1,760,052
Income tax expense		-	-
Profit for the year		<u>6,000,935</u>	<u>1,760,052</u>
Other comprehensive income			
<i>Items that maybe reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		2,379,189	(1,494,827)
Translation reserve reclassified to profit due to the disposal of associate or subsidiaries		-	(24,139)
Share of the associate's other comprehensive income		-	18,630
Other comprehensive income for the year, net of tax		<u>2,379,189</u>	<u>(1,500,336)</u>
Total comprehensive income for the year		<u>8,380,124</u>	<u>259,716</u>
Profit for the year is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		<u>6,000,935</u>	<u>1,760,052</u>
		<u>6,000,935</u>	<u>1,760,052</u>
Total comprehensive income for the year is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		<u>8,380,124</u>	<u>259,716</u>
		<u>8,380,124</u>	<u>259,716</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:	3.2	Cents	Cents
Basic earnings per share		7.04	2.40
Diluted earnings per share		7.04	2.40
Earnings per share for profit attributable to the ordinary equity holders of the company:	3.2		
Basic earnings per share		7.04	2.40
Diluted earnings per share		7.04	2.40

3.1 Revenue

	Consolidated	
	FY2018	FY2017
	\$	\$
<i>Sales revenue</i>		
Sales of goods	51,900,433	39,663,392
	<u>51,900,433</u>	<u>39,663,392</u>
<i>Other revenue</i>		
Government grants	638,068	18,781
	<u>638,068</u>	<u>18,781</u>
Total revenue	<u>52,538,501</u>	<u>39,682,173</u>

3.2 Earnings per Share

	Consolidated	
	FY2018	FY2017
	Cents	Cents
<i>Basic earnings per share</i>		
From continuing operations attributable to the ordinary equity holders of the company	7.04	2.40
From discontinued operations	-	-
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>7.04</u>	<u>2.40</u>

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	FY2018	FY2017
	\$	\$
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	6,000,935	1,760,052
From discontinued operations	-	-
	<u>6,000,935</u>	<u>1,760,052</u>
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	6,000,935	1,760,052
From discontinued operations	-	-
	<u>6,000,935</u>	<u>1,760,052</u>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>85,183,987</u>	<u>73,367,053</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>85,183,987</u>	<u>73,367,053</u>

**4. Consolidated Statement of Financial Position
 As At 30 June 2018**

	Notes	Consolidated 30 June 2018 \$	30 June 2017 \$
Assets			
Current assets			
Cash and cash equivalents		16,782,398	7,850,952
Trade and other receivables	4.1	3,200,694	2,455,517
Prepayments		-	95,481
Inventories		939	492
Biological assets		993,904	921,645
Total current assets		<u>20,977,935</u>	<u>11,324,087</u>
Non-current assets			
Property, plant and equipment		22,565,221	22,873,138
Prepaid lease assets	4.2	3,645,322	4,406,071
Intangible assets		49,202	47,221
Available-for-sale financial assets		102,275	96,030
Total non-current assets		<u>26,362,020</u>	<u>27,422,460</u>
Total assets		<u>47,339,955</u>	<u>38,746,547</u>
Liabilities			
Current liabilities			
Trade and other payables	4.3	1,022,491	824,179
Borrowings		4,090,983	4,071,677
Total current liabilities		<u>5,113,474</u>	<u>4,895,856</u>
Non-current liabilities			
Deferred revenue		219,976	224,310
Total non-current liabilities		<u>219,976</u>	<u>224,310</u>
Total liabilities		<u>5,333,450</u>	<u>5,120,166</u>
Net assets		<u>42,006,505</u>	<u>33,626,381</u>
Equity			
Share capital	4.4	25,960,975	25,960,975
Translation reserve		2,085,619	(293,570)
Retained earnings		13,959,911	7,958,976
Total equity		<u>42,006,505</u>	<u>33,626,381</u>

4.1 Trade and other receivables

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Trade receivables	3,196,464	2,379,189
Other receivables		
Refundable GST	951	73,249
Others	3,279	3,079
	<u>3,200,694</u>	<u>2,455,517</u>

4.2 Prepaid lease assets

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Prepaid lease of buildings and fixtures – at cost	1,279,162	1,201,061
Less: accumulated amortisation	(172,312)	(109,101)
Prepaid rental of farmland – at cost	4,161,860	3,907,753
Less: accumulated amortisation	(1,623,388)	(593,642)
	<u>3,645,322</u>	<u>4,406,071</u>

4.3 Trade and other payables

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Trade payables	-	12,616
Other payables		
Loans due to directors	194,884	168,937
Payables assumed during acquisition of subsidiary	211,188	199,960
Accrued rental	352,084	330,585
Payables to other related parties	-	1,921
Others	264,335	110,160
	<u>1,022,491</u>	<u>824,179</u>

4.4 Share capital

(a) Share capital

	30 June 2018		30 June 2017	
	Shares	\$	Shares	\$
Ordinary shares fully paid	85,183,987	25,960,975	85,183,987	25,960,975

*The contributed equity represents the accumulated contributed equity within the subsidiaries.

(b) Movements in share capital

Details	Date	Number of shares	Issue price	\$
At 1 July 2016		68,000,000		20,822,999
Initial public offering on ASX	9 March 2017	17,183,987	\$0.30	5,155,196
Less: transaction costs arising on shares issued				(853,925)
Transferred from share based payment reserve	9 March 2017			836,705
At 30 June 2017		<u>85,183,987</u>		<u>25,960,975</u>
At 30 June 2018		<u>85,183,987</u>		<u>25,960,975</u>

APPENDIX 4E
JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
 ABN 82 607 739 159

5. Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2018

	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	-	-	-	6,000,935	6,000,935
Other comprehensive income for the year	-	2,379,189	-	-	2,379,189
Total comprehensive income for the year	-	2,379,189	-	6,000,935	8,380,124
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Balance at 30 June 2018	<u>25,960,975</u>	<u>2,085,619</u>	<u>-</u>	<u>13,959,911</u>	<u>42,006,505</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	-	-	-	1,760,052	1,760,052
Other comprehensive income for the year	-	(1,500,336)	-	-	(1,500,336)
Total comprehensive income for the year	-	(1,500,336)	-	1,760,052	259,716
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	4,301,271	-	-	-	4,301,271
Share-based payments	-	-	204,543	-	204,543
Transfer of reserve	836,705	-	(836,705)	-	-
Balance at 30 June 2017	<u>25,960,975</u>	<u>(293,570)</u>	<u>-</u>	<u>7,958,976</u>	<u>33,626,381</u>

6. Consolidated Statement of Cash Flows
For the Year Ended 30 June 2018

	Notes	Consolidated	
		FY2018	FY2017
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of sales taxes)		51,333,928	39,121,126
Payments to suppliers (inclusive of input taxes)		(43,314,193)	(32,842,506)
Government grant receipts		618,944	-
Interest paid		19,098	(298,522)
Interest received		(263,131)	131,027
Net cash generated from / (used in) operating activities		<u>8,394,646</u>	<u>6,111,125</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(11,782,544)
Proceeds from disposal of property, plant and equipment		-	6,242
Payments for leased assets		-	(2,500,146)
Payments for intangibles		(8,110)	(4,924)
Loan to associate entity		-	-
Repayments from associate entity		-	1,440,914
Proceeds from sales of subsidiaries		-	188,887
Proceeds from disposal of associate		-	3,616,683
Net cash used in investing activities		<u>(8,110)</u>	<u>(9,034,888)</u>
Cash flows from financing activities			
Proceeds from issue of shares/capital contribution		-	5,155,196
Share issue transaction costs		-	(522,052)
Proceeds from borrowings		3,963,771	4,125,878
Repayments of borrowings		(4,201,597)	(4,542,358)
Advances from related parties		10,364	-
Repayment to related parties		-	(12,167)
Net cash generated from financing activities		<u>(227,462)</u>	<u>4,204,497</u>
Net increase in cash and cash equivalents		8,159,074	1,280,734
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		772,372	(371,489)
Cash and cash equivalents at the end of year	6.1	<u>16,782,398</u>	<u>7,850,952</u>

6.1 Reconciliation of cash and cash equivalent

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Cash on hand	345	1,966
Cash at bank	<u>16,782,053</u>	<u>7,848,986</u>
Cash and cash equivalent	<u>16,782,398</u>	<u>7,850,952</u>

7. Dividends

No dividend was declared or paid during the year. The final dividend announcement will be made when the annual report is published.

8. Dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan for the financial year ended 30 June 2018.

9. Net tangible assets per ordinary share

	30 June 2018	30 June 2017
	Cents	Cents
Net tangible assets per ordinary share	49.25	39.42

10. Details of entities over which control has been gained or lost during the year

Not applicable.

11. Details of associates and joint venture entities

Not applicable.

12. Other significant information

Refer to commentary on review of operations in section 14.

13. Accountings standards

AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 4E.

14. Review of operations

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 suppliers, such as fertilizers and pesticides.

The Group recorded sales revenue of \$51,900,433 for the financial year ended 30 June 2018, compared to \$39,663,392 for the corresponding period of 2017.

The revenue generated from the sales of fresh produce was \$50.3 million, which increased by \$14.8 million compared to \$35.5 million of revenue recorded in the financial year ended 30 June 2017. 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 October 2017. Therefore, the Group achieved an encouraging result due to the increase in the yield volume. Raised sales prices were also contributed to the increase in sales revenue.

The Group strategically focused more on its fresh produce business, therefore, the sales of agricultural supplies contributed \$1.6 million revenue during the year, which decreased by \$2.5 million compared with the prior year.

The Group achieved a net profit of \$6,000,935 in the current financial year, which represented an increase of \$4.2 million from \$1,760,052 in financial year 2017. The gross profit increased by \$3.4 million compared to the prior year, which was mainly contributed by the factors as follows:

- Increase in sales prices in financial year 2018 due to the market demands, and
- Decrease in costs of goods sold compared with the costs incurred in prior year. In financial year 2017, the Group incurred additional costs on the land cultivation for the new plantation areas.

15. Review of operations (continued)

Given the achievements in financial year 2018, the Group intends to build up more new vegetables greenhouses on the leased land to increase its vegetables growing capacity. |

16. Auditing Status

This report is based on accounts which are in the process of being audited.

17. Audit disputes or qualifications

This report is based on accounts which are in the process of being audited.