

**BOJUN AGRICULTURE HOLDINGS LIMITED**

**ACN 618 962 253**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 SEPTEMBER 2018**

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018  
FINANCIAL REPORT**

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**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**CORPORATE DIRECTORY**

<b>Directors</b>	Mr Tim Overton (Non-Executive Chairman, appointed 22 June 2018) Ms Jaylin Mao (Non-Executive Director, appointed 22 June 2018) Mr Qingfeng Zhang (Non-Executive Director, appointed 8 May 2017) Mr Andrew John Stoner (Non-Executive Chairman, resigned 30 June 2018) Mr Chen Chik Ong (Non-Executive Director & Company Secretary, resigned 30 June 2018) Dr Bo Zhu (Executive Director, appointed 8 May 2017) Ms Zheng Yu (Executive Director, appointed 8 May 2017)
<b>Company Secretary</b>	Ms Ashley Lim (Appointed 30 June 2018)
<b>Registered Office</b>	Level 46, Tower One - International Towers Sydney, 100 Barangaroo Avenue, Barangaroo NSW 2000
<b>Principal Place of Business in Australia</b>	Level 46, Tower One - International Towers Sydney, 100 Barangaroo Avenue, Barangaroo 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>	UHY Haines Norton Level 11, 1 York Street, Sydney NSW 2000
<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 2018**

**DIRECTORS' REPORT**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Bojun Agricultural 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 2018.

**General information**

**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 Tim Overton (Non-Executive Chairman, appointed 22 June 2018)  
Ms Jaylin Mao (Non-Executive Director, appointed 22 June 2018)  
Mr Qingfeng Zhang (Non-Executive Director,)  
Mr Andrew John Stoner (Non-Executive Chairman, resigned 30 June 2018)  
Mr Chen Chik Ong (Non-Executive Director & Company Secretary, resigned 30 June 2018)  
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, fruit confections and enzyme drink. 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 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.
- Enzyme drink: a kind of drink which contains variety of enzyme metabolites extracted from enormous digestive enzymes in the plants and microbes, and it is touted as the springhead of health and lives with the function of detoxification, circulation, clearance and activation.

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 2018, the consolidated entity recorded total sales revenue of \$97.6 million, an encouraging result compared to \$74.9 million of sales revenue recorded in financial year 2017. Sales revenue increased by approximately \$22.7 million. The gross profit margin is 22.7% in the current financial year and 25.2% in financial year 2017.

Net profit after tax (NPAT) was \$9.3 million, a 10.9% decrease on 2017 NPAT of \$10.4 million. Net profit margin decreased to 9.5% in 2018 compared to 14.0% in 2017.

The consolidated entity's total asset position increased by \$19.9 million to \$71.3 million as at 30 September 2018 from \$51.5 million as at 30 September 2017.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
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**Review of operations (continued)**

The Statement of Cash Flows illustrates that operating cash flow remained solid at \$2.0 million (FY2017: \$4.1 million). The \$36.0 million increase of receipts from customers have been offset by an \$38.2 million net increase of payment to suppliers and employees, mainly due to variation between suppliers payment cycle and production schedule.

As at 30 September 2018, the consolidated entity remained well funded with \$20.4 million of cash at bank and working capital of \$63.4 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. A new product has been released into the market in the current financial year. The Company has successfully registered 35 trademarks and 46 patents as of 30 September 2018.

The Company sells its products in the form of wholesale quantities to regional agents. In FY2018, the Company continually enhances its sales efforts and expanded its sales areas. The Company added a new agent in Anhui Province. In FY2018, its main business sales revenue had reached \$97.6 million, which comprised the income for sales of cider vinegar of \$71.7 million, the income for sales of fruit confection of \$22.4 million and the income for sales of enzyme drink of \$3.5 million, accounting for 73.0%, 23.0% and 4.0% of the total sales revenue respectively. This represented an increase of \$22.7 million or 30.2% compared to FY2017.

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 consolidated entity 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial years subsequent to 30 September 2018.

## **BOJUN AGRICULTURE HOLDINGS LIMITED FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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

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

- a) Acquisition of ecological park, establishment of research base. Our Company has a strong agriculture research ability. Because of this research strength, our products have been highly recognised by customers. We will continue to invest a large amount of funds for the development of new varieties of products to strengthen this ability. The Company is currently in active negotiations with an agro-ecological park in Nancheng County to discuss the Company's acquisition of the agro-ecological park. The ecological park currently has business modules such as vegetable and fruit planting greenhouses and flowers and green plants market. The Company also intends to further develop agricultural projects after the completion of the acquisition by using the ecological park as a research base for connecting government research institutions and universities in Jiangxi Province.
- b) Increasing online marketing and expanding market share. The Internet is closely related to people's daily lives and online marketing is a marketing tool to collect data, analyses consumers behavior and to promote the business. Internet marketing has various characteristics such as global market, resources integration, economic efficiency and market impact. For fruit vinegar, fruit snacks, enzymes and other products produced by our Company, except cooperating with sales agents, the market share can also be increased through Internet marketing. For example, we can establish Jiangxi Bojun Flagship Shop on taobao.com, JD.com and other e-commerce platforms to build the Company's brand, highlight products' features, attract consumers, and enhance brand awareness.
- c) Setting up agricultural training bases and reserving outstanding scientific research talents. The Company has always adhered to the business philosophy of scientific and technological industrialisation, so it needs a large number of scientific research talents to contribute and design new products through new technology for the Company. In the future, the Company shall cooperate with the major universities in Jiangxi province to establish agricultural training bases and invite high performance students to come to the bases to participate in the research and development of new products, which not only increases the vitality of scientific research, but also reserves talent for the Company.

### **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 consolidated entity. 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 consolidated entity's Corporate Governance Statement for the financial year end 30 September 2018 and was approved by the Board on 13 December 2018. The Corporate Governance Statement is available on the Bojun website at <http://bojunagriculture.com>.

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**Information on directors**

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

**Tim Overton** *Non-Executive Director*

Experience and expertise

January 1995 – June 1996: During his time serving in Lincoln Sentry Corporation, Mr Overton improved business performance by reduced costing and increased sales.

July 1996 – September 2006: Mr Overton promoted from sales executive to general manager and increased sales from AUD600,000 per annum to AUD60,000,000.

September 2006 – June 2010: Mr Overton runs his own construction business, he was mainly in charge of the external environment analysis and solutions.

September 2006 – 2016: In line with his implementation of design outline, Mr Overton responsibilities included project management, interview and served as chief architect to collaborate with city planner and council for the joint development / fundamental costing and construction.

2016 – 2018: Mr Overton in charge of the high-end housing of Sydney north shore.

2018 – to-date: Mergers and acquisitions and starting partner, improving business collaborations and implementations of strategy between Australia and China.

Expertise / Qualifications

Australia College of Professionals

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Member of Nomination and Remuneration Committee

Interests in shares and options

None

**Jaylin Mao** *Non-Executive Director*

Experience and expertise

2000 – 2004: Being the business expansion manager of AIMS Financial Group (a diversified financial services and investment group in Australia), Ms Jaylin focuses on the mortgage lending of the Asia-Pacific region, securitisation, investment banking, funds management, property investment, biomedicine investment, high-tech investment and AIMS also strategically invests Sydney Stock Exchange (SSX). 2014 - January 2017, served in The Commonwealth Bank of Australia as public relation manager in business financing service. Managing the investment portfolio for large and medium sized businesses, trust and other add value services mainly in Australia and globally.

October 2011: served as vice president in Credit Suisse Group Australia branch. Ms Jaylin is well experience in high net worth business expansion and relation management. Through research, leading, promoting, join venture and marketing activities, she actively searched for new customers and new opportunities, as well as building a strong channel by her enlarged international and mainland china's customers network.

November 2011 – to-date: Ms Jaylin serves as senior customer manager in Westpac Banking Corporation, she is trusted by her customer and she assists customer to draft business loans and family loan applications.

Expertise / Qualifications

Diploma of Applied Finance  
Deakin University

Other current directorships

None

Previous directorships

None

Special responsibilities

Member of Audit Committee

Interests in shares and options

Nil

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Information on directors (continued)

**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 *Analytica Chimica Acta Journal*, *European Food Research and Technology Journal*, *Food and Fermentation Industries Journal*, and *Modern Food Science and Technology Journal*. 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 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

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**Information on directors (continued)**

**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 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 2018, 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
Tim Overton	2	2	-	-	-	-
Jaylin Mao	1	2	1	1	-	-
Qingfeng Zhang	6	6	1	1	-	-
Andrew John Stoner	1	4	-	-	-	-
Chen Chik (Nicholas) Ong	1	4	-	-	-	-
Bo Zhu	6	6	-	-	-	-
Zhen Yu	6	6	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

**BOJUN AGRICULTURE HOLDINGS LIMITED  
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**Audited Remuneration report**

The directors present the Bojun Agriculture Corporation Limited 2018 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**

<b>Name</b>	<b>Position</b>
<i>Non-executive and executive directors and key management personnel</i>	
Tim Overton	Non-Executive Chairman (appointed 22 June 2018)
Jaylin Mao	Non-Executive Director (appointed 22 June 2018)
Qingfeng Zhang	Non-Executive Director
Andrew John Stoner	Non-Executive Chairman (resigned 30 June 2018)
Chen Chik Ong	Non-Executive Director, Company Secretary (resigned 30 June 2018)
Bo Zhu	Executive Director
Zhen Yu	Executive Director
Xianhong Fan	Chief Executive Officer
Yilin Huang	Deputy General Manager
Hui Gao	Production Manager

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

The objective of the consolidated entity'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 consolidated entity 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 consolidated entity.

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.

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**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 consolidated entity 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 2018, the executives' remuneration was only rewarded with fixed amounts hence there is no linkage to the consolidated entity'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 consolidated entity's executive key management personnel for the current financial year measured in accordance with the requirements of the accounting standards.

**Year ended 30 September 2018**

	Short-term benefits		Post-employment benefits		Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	PRC social security contributions	Super-annuation	Long service leave	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>							
Tim Overton	7,500	-	-	-	-	-	7,500
Jaylin Mao	6,250	-	-	-	-	-	6,250
Qingfeng Zhang	45,000	-	-	-	-	-	45,000
Andrew John Stoner	80,667	-	-	-	-	-	80,667
Chen Chik Ong	71,333	-	-	-	-	-	71,333
<i>Executives directors</i>							
Bo Zhu*	39,843	-	-	2,886	-	-	42,729
Zhen Yu*	27,769	-	-	2,886	-	-	30,655
<i>Other key management personnel:</i>							
Xianhong Fan*	33,806	-	-	2,886	-	-	36,692
Yilin Huang*	25,354	-	-	2,886	-	-	28,240
Hui Gao*	36,850	-	-	2,886	-	-	39,736
	<u>163,622</u>	<u>-</u>	<u>-</u>	<u>14,430</u>	<u>-</u>	<u>-</u>	<u>178,052</u>

\* Those directors and key management personnel were remunerated in Renmenbi. The figures shown have been converted to AUD using an average exchange rate (RMB:AUD) of 0.2012 during the year ended 30 September 2018.

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**Remuneration report (continued)**

Year ended 30 September 2017

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	PRC social security contributions	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$	\$
Qingfeng Zhang**	-	-	-	-	-	-	-	-
Andrew John Stoner**	-	-	-	-	-	-	-	-
Chen Chik Ong**	-	-	-	-	-	-	-	-
<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>								
Xianhong Fan*	32,374	-	-	1,907	-	-	-	34,281
Yilin Huang*	24,280	-	-	1,907	-	-	-	26,187
Hui Gao*	27,749	-	-	1,907	-	-	-	29,656
	<u>149,151</u>	<u>-</u>	<u>-</u>	<u>9,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,686</u>

\* Those directors and key management personnel were remunerated in Renmenbi. 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.

\*\* Those directors were remunerated from the ASX admission date.

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	
	2018	2017	2018	2017	2018	2017
Tim Overton	100%	-%	-%	-%	-%	-%
Jaylin Mao	100%	-%	-%	-%	-%	-%
Qingfeng Zhang	100%	-%	-%	-%	-%	-%
Andrew John Stoner	100%	-%	-%	-%	-%	-%
Chen Chik Ong	100%	-%	-%	-%	-%	-%
Bo Zhu	100%	100%	-%	-%	-%	-%
Zhen Yu	100%	100%	-%	-%	-%	-%
Xianhong Fan	100%	100%	-%	-%	-%	-%
Yilin Huang	100%	100%	-%	-%	-%	-%
Hui Gao	100%	100%	-%	-%	-%	-%

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**Remuneration report (continued)**

**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: 25 April 2018

Term of agreement: 3 years

Details: Mr Zhu is the chairman of Bojun China, he received an annual fixed remuneration of RMB 144,000. His Agreement has been renewed and new term is from 25 April 2018 and end on 24 April 2021. It is regulated under China Labor Contract Law. 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.

Name: Zhen Yu

Title: Executive director

Agreement commenced: 12 March 2018

Term of agreement: 3 years

Details: Ms Yu is employed as Chief Financial Officer of Bojun China, she received an annual fixed remuneration of RMB 90,000. Her Agreement has been renewed and new term from 12 March 2018 and end on 11 March 2021. It is regulated under China Labor Contract Law. 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.

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

Name: Tim Overton

Title: Non-executive Director, Chairman

Agreement commenced: 22 June 2018

Term of agreement: Not fixed

Details: Mr Overton was appointed on 22 June 2018 and agreed to receive a fixed annual fee of \$30,000

Name: Jaylin Mao

Title: Non-executive Director

Agreement commenced: 22 June 2018

Term of agreement: Not fixed

Details: Ms Mao was appointed on 22 June 2018 and agreed to receive a fixed annual fee of \$25,000

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, he resigned on 30 June 2018.

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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, he resigned on 30 June 2018.

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

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

**f) 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

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

**g) 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 2018 (2017: nil).

*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 2018 (2017: nil).

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

There is no loan provided to key management personnel during the years ended 30 September 2018 and 30 September 2017.

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

There is no other transactions with key management personnel during the years ended 30 September 2018 and 30 September 2017.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**Remuneration report (continued)**

**j) 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 consolidated entity, 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>					
Tim Overton	-	-	-	-	-
Jaylin Mao	-	-	-	-	-
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	-	-	-	-	-
	<u>34,272,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,272,000</u>

**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 2018 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.

**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:

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**END OF AUDITED REMUNERATION REPORT (CONTINUED)**

**Non-audit services (continued)**

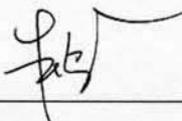
- all non-audit services have been reviewed by the audit committee to ensure that they do not impact the integrity and objectivity of the auditor; and

- 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 16. This report is made in accordance with a resolution of directors.

On behalf of the directors



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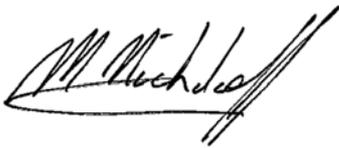
Bo Zhu  
Executive Director  
14 December 2018  
Jiangxi, China

**Auditor's Independence Declaration under section 307C of the Corporations Act 2001**

As auditor for the audit of Bojun Agriculture Holdings Limited for the year ended 30 September 2018, I declare that, to the best of my knowledge and belief, there have been:

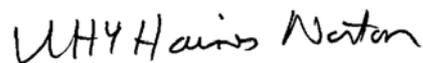
- (a) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



**Mark Nicholaeff**  
Partner

**14 December 2018**  
Sydney



**UHY Haines Norton**  
Chartered Accountants

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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

	Notes	FY2018 \$	FY2017 \$
Sales revenue	4	97,598,659	74,935,867
Cost of sales	5	(75,424,596)	(56,033,909)
Gross profit		<u>22,174,063</u>	<u>18,901,958</u>
Other income	4	321,517	321,213
Administration expenses		(3,053,977)	(979,643)
Selling and distribution expenses		(4,620,341)	(3,707,026)
Research and development expenses		(3,756,444)	(2,223,252)
<b>Profit before income tax expense</b>		<u><b>11,064,818</b></u>	<u><b>12,313,250</b></u>
Income tax expense	6	(1,751,177)	(1,856,522)
<b>Net profit for the year</b>		<u><b>9,313,641</b></u>	<u><b>10,456,728</b></u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		2,418,722	(810,186)
<b>Other comprehensive income for the year, net of tax</b>		<u><b>2,418,722</b></u>	<u><b>(810,186)</b></u>
<b>Total comprehensive income for the year</b>		<u><u><b>11,732,363</b></u></u>	<u><u><b>9,646,542</b></u></u>
<b>Profit for the year attributable to the owners of:</b>			
Bojun Agriculture Holdings Limited		9,313,641	10,456,728
		<u>9,313,641</u>	<u>10,456,728</u>
<b>Total comprehensive income for the year is attributable to the owners of:</b>			
Bojun Agriculture Holdings Limited		11,732,363	9,646,542
		<u>11,732,363</u>	<u>9,646,542</u>
<b>Earnings per share for profit attributable to the owners of Bojun Agriculture Holdings Limited</b>			
Basic earnings per share	25	7.94	10.89
Diluted earnings per share	25	7.94	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 2018**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	30 September 2018 \$	30 September 2017 \$
Cash and cash equivalents	8	20,393,849	11,247,923
Trade and other receivables	9	29,940,658	22,640,054
Inventories	10	15,749,170	12,153,912
Prepayments and other assets	11	3,863	1,210,302
<b>Current assets</b>		<b>66,087,540</b>	<b>47,252,191</b>
Property, plant and equipment	12	3,433,500	2,459,293
Prepaid lease assets	13	1,805,849	1,757,939
<b>Non-current assets</b>		<b>5,239,349</b>	<b>4,217,232</b>
<b>Total assets</b>		<b>71,326,889</b>	<b>51,469,423</b>
Trade and other payables	14	720,196	576,956
Borrowings	15	966,904	-
Current tax liabilities		967,018	831,989
Deferred revenue	16	66,407	63,191
<b>Current liabilities</b>		<b>2,720,525</b>	<b>1,472,136</b>
Deferred tax liabilities	17	-	160,390
<b>Non-current liabilities</b>		<b>-</b>	<b>160,390</b>
<b>Total liabilities</b>		<b>2,720,525</b>	<b>1,632,526</b>
<b>Net assets</b>		<b>68,606,364</b>	<b>49,836,897</b>
Share capital	18	8,009,384	972,280
Reserves	19	5,478,272	3,059,550
Retained earnings		55,118,708	45,805,067
<b>Total equity</b>		<b>68,606,364</b>	<b>49,836,897</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 2018**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Issued capital	Reserves	Retained earnings	Total equity
	\$	\$	\$	\$
<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>	<b>972,280</b>	<b>3,059,550</b>	<b>45,805,067</b>	<b>49,836,897</b>
<b>Balance at 1 October 2017</b>	972,280	3,059,550	45,805,067	49,836,897
Profit for the year	-	-	9,313,641	9,313,641
Other comprehensive income	-	2,418,722	-	2,418,722
<b>Total comprehensive income for the year</b>	-	2,418,722	9,313,641	11,732,363
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the year (Less: issued cost)	7,037,104	-	-	7,037,104
<b>Balance at 30 September 2018</b>	<b>8,009,384</b>	<b>5,478,272</b>	<b>55,118,708</b>	<b>68,606,364</b>

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 2018**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

		FY2018 \$	FY2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		107,729,296	71,734,976
Payments to suppliers and employees		(104,057,123)	(65,890,204)
Interest received		10,288	3,710
Government grant received		128,000	134,659
Income tax paid		(1,826,286)	(1,882,899)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	24	<u>1,984,175</u>	<u>4,100,242</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of property, plant and equipment		(1,247,648)	(629,771)
Interest paid		(65,000)	-
<b>CASH USED IN INVESTING ACTIVITIES</b>		<u>(1,312,648)</u>	<u>(629,771)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		1,850,000	-
Repayment of borrowings		(884,121)	-
Proceeds from issue of share		7,653,604	-
Cost of issue of shares		(616,500)	-
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>		<u>8,002,983</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>		<b>8,674,332</b>	<b>3,470,471</b>
<b>CASH AT BEGINNING OF THE YEAR</b>		<b>11,247,923</b>	<b>7,941,717</b>
Effect of exchange rate changes on cash and cash equivalents		471,594	(164,265)
<b>CASH AT END OF THE YEAR</b>	8	<u><u>20,393,849</u></u>	<u><u>11,247,923</u></u>

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 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1: Corporate Information**

The consolidated financial statements of Bojun Agriculture Holdings Limited ("the Company") and its subsidiaries for the financial year ended 30 September 2018. The subsidiaries are

- Bojun International Holding Co., Ltd ('Bojun BVI')
- Hong Kong Bojun Investment Management Co., Ltd ('Bojun HK')
- Shenzhen Bojun Management Consulting Co., Ltd ('WFOE')
- Jiangxi Bojun Ecological Agriculture Development Co., Limited ("Bojun China")

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

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, fruit confections and enzyme drink. These products are produced with natural fruit and contain no preservatives, artificial colours and artificial flavours.

*Restructuring*

Bojun Agriculture Holdings Limited is a public company limited by shares, incorporated in Australia and was established on 8 May 2017.

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

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.

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 consolidated entity 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.

Bojun Agriculture Holdings Limited is a company limited by shares incorporated in Australia and was established on 8 May 2017. The consolidated entity has successfully listed on Australian Securities Exchange (ASX) on 1 December 2017. \$7.6 million was received from issuing shares representing 25,512,013 shares at the office price of \$0.30 per share.

**Note 2: Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Significant accounting policies (continued)**

**Basis of preparation (continued)**

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

**Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bojun Agriculture Holdings Limited ('company' or 'parent entity') as at 30 September 2018 and the results of all subsidiaries for the year then ended. Bojun Agriculture Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Bojun Agriculture Holdings Limited's presentation currency, the functional currency of Bojun Agriculture Holdings Limited is Renminbi.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sales of goods*

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Significant accounting policies (continued)**

**Revenue recognition (continued)**

*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 consolidated entity and the amount of revenue can be measured reliably.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Significant accounting policies (continued)**

**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 include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 2: Significant accounting policies (continued)

#### Property, plant and equipment (continued)

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 consolidated entity comprise of fruit trees acquired as part of a leased orchard located in Jiangxi province, P.R.China. The consolidated entity 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.

#### Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

#### Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The permanent Chinese employees of the consolidated entity 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 consolidated entity has no other substantial commitments to employees.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Significant accounting policies (continued)**

**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 from the proceeds.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Bojun Agriculture Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**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 statement of financial position.

Cash flows are presented on a gross basis. The GST 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.

*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 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.

**New, revised or amended Accounting Standards and interpretations**

Any new, revised or amending Accounting Standards or Interpretations issued by the Australian Accounting Standards Board ('AASB') that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the consolidated entity from the adoption for future periods of these Accounting Standards and Interpretations are disclosed below.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. This standard provides a single standard for revenue recognition. AASB 15 establishes a principle-based approach which requires identification of performance obligations within a transaction and an associated transaction price allocation to these obligations. The core intended 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. The transitional provisions of this Standard permit an entity to 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).

The director's assessment of AASB 15 on the consolidated entity financial statements is ongoing. It is impracticable at this stage to provide a reasonable estimate of such impact but in the opinion of the director, the application of the standard is unlikely to have a material impact.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2: Significant accounting policies (continued)**

**New, revised or amended Accounting Standards and interpretations (continued)**

*AASB 9 Financial Instruments and associated Amending Standards*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The changes in this Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, new rules for hedge accounting and a new methodology for measurement of impairment of financial assets including accounting for expected credit loss.

The director's assessment of AASB 9 on the consolidated entity financial statements is ongoing. It is impracticable at this stage to provide a reasonable estimate of such impact.

*AASB 16 Leases*

This standard is 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 are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term of 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-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;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of 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 director's anticipate that the adoption of AASB 16 will impact the consolidated entity financial statements, at this time the variation has not been determined.

**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.

*Capital re-organisation*

The restructure completed during the previous 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 consolidated entity'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Significant accounting policies (continued)

Critical accounting judgements, estimates and assumptions (continued)

*Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible 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 will be written off or written down.

*Income tax*

The consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

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 consolidated entity. 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 consolidated entity has three operating segments, which are fruit cider vinegar products, fruit confections products and enzyme drink 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.
- Enzyme drink: a kind of drink which contains variety of enzyme metabolites extracted from enormous digestive enzymes in the plants and microbes, and it is touted as the springhead of health and lives with the function of detoxification, circulation, clearance and activation.

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 2018	FY 2017	30 September 2018	30 September 2017
	\$	\$	\$	\$
China	97,598,659	74,935,867	5,239,349	4,217,232
	<u>97,598,659</u>	<u>74,935,867</u>	<u>5,239,349</u>	<u>4,217,232</u>

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**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:

	Fruit cider vinegar	Fruit confections	Enzyme drink	Unallocated	Total
	\$	\$	\$	\$	\$
<b>Segment revenue - 2018</b>					
Revenues from external customers	71,682,640	22,412,098	3,503,921	-	97,598,659
Gross profit	12,517,267	8,250,439	1,406,357	-	22,174,063
<i>Other segment profit or loss items:</i>					
Other income				321,517	321,517
Administration expenses				(3,053,977)	(3,053,977)
Selling and distribution expenses				(4,620,341)	(4,620,341)
Research and development expenses				(3,756,444)	(3,756,444)
Income tax expenses				(1,751,177)	(1,751,177)
Profit after income tax expense				(9,313,641)	(9,313,641)

	Fruit cider vinegar	Fruit confections	Enzyme drink	Unallocated	Total
	\$	\$	\$	\$	\$
<b>Segment assets and liabilities – 30 September 2018</b>					
Segment assets	16,419,618	1,368,946	1,313,804	52,224,521	71,326,889
Total assets					71,326,889
Non-current assets - Addition	925,146	277,665	44,837	-	1,247,648
Segment liabilities	-	-	-	2,720,525	2,720,525
Total liabilities				2,720,525	2,720,525

	Fruit cider vinegar	Fruit confections	Enzyme drink	Unallocated	Total
	\$	\$	\$	\$	\$
<b>Segment revenue - 2017</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	321,213
Administration expenses				(979,643)	(979,643)
Selling and distribution expenses				(3,707,026)	(3,707,026)
Research and development expenses				(2,223,252)	(2,223,252)
Income tax expenses				(1,856,522)	(1,856,522)
Profit after income tax expense				10,456,728	10,456,728

	Fruit cider vinegar	Fruit confections	Enzyme drink	Unallocated	Total
<b>Segment assets and liabilities – 30 September 2017</b>					
Segment assets	12,371,012	1,162,931	-	37,935,480	51,469,423
Total assets					51,469,423
Non-current assets - Addition	491,583	8,919	-	-	500,502
Segment liabilities	-	-	-	1,640,849	1,640,849
Total liabilities				1,640,849	1,640,849

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

	FY2018 \$	FY2017 \$
<b>Sales revenue</b>		
Sales of goods	97,598,659	74,935,867
	<u>97,598,659</u>	<u>74,935,867</u>
<b>Other income</b>		
Interest income	10,288	3,710
Trademark licensing income	257,192	174,521
Government Grant	-	142,982
Foreign exchange gain	54,037	-
	<u>321,517</u>	<u>321,213</u>

**Note 5: Expenses**

	FY2018 \$	FY2017 \$
Profit before income tax includes the following specific expenses:		
<b>Cost of sales</b>		
Cost of goods sold	75,424,596	56,033,909
	<u>75,424,596</u>	<u>56,033,909</u>
<b>Depreciation and amortisation</b>		
Building and improvement	90,945	110,546
Production equipment	215,133	130,725
Furniture, fittings and equipment	44,833	48,960
Motor vehicles	37,902	38,666
Bearer plant	8,213	2,607
Prepaid lease asset	40,429	36,020
Total depreciation and amortisation	<u>437,455</u>	<u>367,524</u>
<b>Employee benefits expenses</b>		
Employee benefits expense	3,548,210	3,492,228
Total employee benefits expenses	<u>3,548,210</u>	<u>3,492,228</u>

**Note 6: Income Tax Expense**

	FY2018 \$	FY2017 \$
<b>Income tax expense</b>		
Current tax expense	1,911,567	1,696,132
Deferred tax expense	(160,390)	160,390
Total income tax expense in profit or loss	<u>1,751,177</u>	<u>1,856,522</u>
<b>Numerical reconciliation of income tax expense and tax at the statutory rate</b>		
Profit before income tax expense	11,064,818	12,313,250
Tax at the Australian tax rate of 30%	3,319,445	3,693,975
Difference in overseas tax rate*	(1,753,817)	(1,846,988)
Tax losses not recognised	180,191	-
Sundry items	5,358	-
Over provision in prior years	-	9,535
Total	<u>1,751,177</u>	<u>1,856,522</u>

\*The applicable income tax rate in 2018 and 2017 for PRC subsidiaries is 15%.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 6: Income Tax Expense (continued)**

	FY2018 \$	FY2017 \$
<b>Tax Losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	600,637	-
Potential tax benefit @ 30%	180,191	-
	<u>180,191</u>	<u>-</u>

The unused tax losses were incurred by Bojun Agriculture Holdings Limited that is not likely to generate taxable income in the foreseeable future.

**Note 7: Auditor's Remuneration**

During the year, the following fees were paid or payable for services to the below:

	FY2018 \$	FY2017 \$
<b>Audit services</b>		
Audit and review of the financial statements for the entity or any entity in the consolidated entity		
- Wei Wei & Co LLP	101,625	137,897
- UHY Haines Norton	90,000	-
- BDO ECP	-	60,000
<b>Other services</b>		
- BDO ECP (Investigating accountant's report)	-	77,963
- Wei Wei & Co LLP (US reporting)	16,431	-
<b>Taxation services</b>		
Tax compliance and advisory services		
- BDO ECP	-	10,000
	<u>208,056</u>	<u>285,860</u>

**Note 8: Cash and Cash Equivalents**

	30 September 2018 \$	30 September 2017 \$
Cash on hand	4,601	597
Cash at bank	20,389,248	11,247,326
	<u>20,393,849</u>	<u>11,247,923</u>

**Credit risk**

The maximum exposure to credit risk is the fair value of cash and cash equivalents. Refer to note 20 for more information relating to the risk management policy of the consolidated entity.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 9: Trade and Other Receivables**

	30 September 2018	30 September 2017
	\$	\$
Trade receivables	29,933,621	22,640,054
Other receivables	7,037	-
	<u>29,940,658</u>	<u>22,640,054</u>

**Impairment of receivables**

The consolidated entity has recognised a loss of nil in profit or loss in respect of impairment of receivables for the year ended 30 September 2018 (2017: nil).

The consolidated entity did not have receivables which were past due and without provision for impairment of receivables as at 30 September 2018 (30 September 2017: nil).

The consolidated entity 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 20 for more information relating to the risk management policy of the consolidated entity.

**Note 10: Inventories**

	30 September 2018	30 September 2017
	\$	\$
Raw material – at cost	675,424	1,817,530
Work in progress – at cost	12,470,398	8,326,235
Finished goods - at cost	2,603,348	2,010,147
	<u>15,749,170</u>	<u>12,153,912</u>

**Note 11: Prepayments and Other Assets**

	30 September 2018	30 September 2017
	\$	\$
Prepayments	3,863	2,924
Prepaid listing fees	-	1,207,378
	<u>3,863</u>	<u>1,210,302</u>

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

	30 September 2018	30 September 2017
	\$	\$
Bearer plant -at cost	91,252	86,885
Less Accumulated depreciation	(10,950)	(2,607)
	<u>80,302</u>	<u>84,278</u>
Building and improvements -at cost	1,743,656	1,534,022
Less: Accumulated depreciation	(629,022)	(512,331)
	<u>1,114,634</u>	<u>1,021,691</u>
Production equipment -at cost	2,931,929	1,729,898
Less: Accumulated depreciation	(775,253)	(533,320)
	<u>2,156,676</u>	<u>1,196,578</u>
Furniture, fittings and equipment -at cost	263,571	250,960
Less: Accumulated depreciation	(211,886)	(159,060)
	<u>51,685</u>	<u>91,900</u>
Motor Vehicles -at cost	297,738	283,493
Less: Accumulated depreciation	(267,535)	(218,647)
	<u>30,203</u>	<u>64,846</u>
	<u>3,433,500</u>	<u>2,459,293</u>

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:

	Bearer plant \$	Building and improvements \$	Production equipment \$	Furniture, fittings and equipment \$	Motor vehicles \$	Total \$
<b>Balance at 1 October 2016</b>						
Opening net book value	-	1,153,552	839,939	104,917	105,324	2,203,732
Additions	86,885	-	505,009	37,877	-	629,771
Disposal	-	-	-	-	-	-
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>	<u>84,278</u>	<u>1,021,691</u>	<u>1,196,578</u>	<u>91,900</u>	<u>64,846</u>	<u>2,459,293</u>
Additions	-	132,546	1,115,102	-	-	1,247,648
Disposal	-	-	-	-	-	-
Depreciation charge	(8,213)	(90,945)	(215,133)	(44,833)	(37,902)	(397,026)
Foreign exchange translation	4,237	51,342	60,129	4,618	3,259	123,585
<b>Balance at 30 September 2018</b>	<u>80,302</u>	<u>1,114,634</u>	<u>2,156,676</u>	<u>51,685</u>	<u>30,203</u>	<u>3,433,500</u>

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 13: Prepaid Lease Assets**

	30 September 2018	30 September 2017
	\$	\$
Land use rights	2,021,473	1,924,751
Less: Accumulated amortisation	(215,624)	(166,812)
	<u>1,805,849</u>	<u>1,757,939</u>
Opening net book value 1 October	1,757,939	1,831,090
Amortisation	(40,429)	(41,767)
Foreign exchange translation	88,339	(31,384)
Balance at 30 September	<u>1,805,849</u>	<u>1,757,939</u>

Land use right represents the cost of RMB 10,035,200 for the year ended 30 September 2018 and 2017.

**Note 14: Trade and Other Payables**

	30 September 2018	30 September 2017
	\$	\$
Trade payables	240,213	210,299
Payroll payables	247,450	248,475
Other payables	232,533	118,182
	<u>720,196</u>	<u>576,956</u>

**Fair value and credit risk**

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

**Note 15: Borrowings**

	30 September 2018	30 September 2017
	\$	\$
Secured liabilities:		
Bank loans	966,904	-
	<u>966,904</u>	<u>-</u>

Bojun China 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 Country SME Credit Guarantee Center. As at 30 September 2018, amount of RMB 8,200,000 has been repaid, balance of RMB 1,200,000 has been recorded as bank loans. The remaining balance of RMB 1,200,000 has been repaid on 22 October 2018. On 23 October 2018, a new bank loan of RMB 1,200,000 from Jiangxi Rural Credit Union & Rural Commercial Bank & Cooperative Bank has been granted. Apart from this, Bojun China has received a loan of RMB 3,000,000 from Postal Saving Bank of China on 11 September 2018. The term of the loan is 12 months from 10 September 2018 to 9 September 2019 with an annual interest rate of 6.3075%. Another loan of RMB 600,000 has been received from ICBC on 28 September 2018. The term of the loan is 12 months from 28 September 2018 to 27 September 2019 with an annual interest rate of 5.22%.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 16: Deferred Revenue**

	30 September 2018 \$	30 September 2017 \$
Deferred revenue	66,407	63,191
	<u>66,407</u>	<u>63,191</u>

**Note 17: Deferred Tax Liabilities**

	30 September 2018 \$	30 September 2017 \$
<i>Deferred tax liabilities comprise temporary differences attributable to:</i>		
Prepaid IPO costs	-	160,390
	<u>-</u>	<u>160,390</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	(7,273)	167,663
	<u>160,390</u>	<u>(7,273)</u>	<u>167,663</u>

**Note 18: 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 2018 Shares	30 September 2017 Shares	30 September 2018 \$	30 September 2017 \$
Ordinary shares fully paid	121,512,013	96,000,000	8,009,384	972,280

*Movements in ordinary share capital*

Details	Date	Number	Price	\$
Balance at 1 October 2016		-	-	972,280
Shares issued in Bojun Agriculture Holdings Limited	5 May 2017	96,000,000	-	-
Balance at 30 September 2017		<u>96,000,000</u>	-	<u>972,280</u>
Shares issued through IPO	1 Dec 2017	25,512,013	0.30	7,653,604
Less: Share issue cost		-	-	(616,500)
		<u>25,512,013</u>	-	<u>7,037,104</u>
Balance at 30 September 2018		<u>121,512,013</u>	-	<u>8,009,384</u>

*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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 18: Share Capital (continued)**

**(b) Capital risk management**

The consolidated entity'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 consolidated entity 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 consolidated entity's capital management objectives, policies, and processes in the year nor has there been any change in what the consolidated entity considers to be its capital.

**Note 19: Reserves**

	<b>30 September 2018</b>	<b>30 September 2017</b>
	<b>\$</b>	<b>\$</b>
Foreign currency translation reserve	4,277,910	1,859,188
Statutory reserve fund	1,200,362	1,200,362
	<u>5,478,272</u>	<u>3,059,550</u>

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

The reserve pursuant to corporate law of the PRC, the consolidated entity 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 20: 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 consolidated entity's risk management framework is supported by the Board and management. The Board is responsible for approving and reviewing the consolidated entity'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 consolidated entity 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 consolidated entity's competitiveness and flexibility.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 20: Financial Risk Management (continued)**

At 30 September 2018 and 30 September 2017, the consolidated entity held the following financial instruments:

	<b>30 September 2018</b>	<b>30 September 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
<b>Current</b>		
Cash and cash equivalents	20,393,849	11,247,923
Trade and other receivables	29,940,658	22,640,054
	<u>50,334,507</u>	<u>33,887,977</u>
	<b>30 September 2018</b>	<b>30 September 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Financial liabilities</b>		
<b>Current</b>		
Trade and other payables	720,196	576,956
Borrowings	966,904	-
Current tax liabilities	967,018	831,989
	<u>2,654,118</u>	<u>1,408,945</u>

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

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity 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 consolidated entity 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 consolidated entity 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*

	<b>30 September 2018</b>	<b>30 September 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents</b>		
Mainland China	17,112,523	11,247,923
Hong Kong	3,160,225	-
Australia	121,101	-
	<u>20,393,849</u>	<u>11,247,923</u>

**BOJUN AGRICULTURE HOLDINGS LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 20: Financial Risk Management (continued)**

**(a) Credit risk (continued)**

*Trade and other receivables*

Mainland China	29,933,621	22,640,054
Australia	7,037	-
	<u>29,940,658</u>	<u>22,640,054</u>
	<u>50,334,507</u>	<u>33,887,977</u>

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

**(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 consolidated entity's short, medium and long-term funding and liquidity management requirements. The consolidated entity 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 consolidated entity's liquidity risk management policies from previous periods.

**Remaining contractual maturities**

The following tables detail the consolidated entity'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
30 September 2018	\$	\$	\$	\$	\$
Trade and other payables	720,196	-	-	-	-
Borrowings	966,904	-	-	-	-
Current tax liabilities	967,018	-	-	-	-
	<u>2,654,118</u>	-	-	-	-

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
30 September 2017	\$	\$	\$	\$	\$
Trade and other payables	576,956	-	-	-	-
Current tax liabilities	831,989	-	-	-	-
	<u>1,408,945</u>	-	-	-	-

**(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 consolidated entity 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.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 20: Financial Risk Management (continued)**

**(c) Market risk (continued)**

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	2018	2017	30 September 2018	30 September 2017
<b>Australian dollars</b>				
Chinese Yuan Renminbi	0.2012	0.1927	0.2014	0.1918

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 2018	30 September 2017	30 September 2018	30 September 2017
<b>Consolidated</b>				
Chinese Yuan Renminbi	69,519,555	176,683,926	6,179,874	1,096,449

Based on the financial assets and financial liabilities held at 30 September 2018, a 5.0% 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 \$3,170,286 (2017: \$1,683,883). 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 consolidated entity is not exposed to any significant price risk.

**Interest rate risk**

The consolidated entity is not exposed to any significant interest rate risk.

**Note 21: Related Party Transactions**

**Ultimate parent**

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

**Subsidiaries**

Interests in subsidiaries are set out in Note 23.

**Key Management Personnel**

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

**Non-executive directors**

Tim Overton	(appointed 22 June 2018)
Jaylin Mao	(appointed 22 June 2018)
Qingfeng Zhang	
Andrew John Stoner	(resigned 30 June 2018)
Chen Chik Ong	(resigned 30 June 2018)

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 21: Related Party Transactions (continued)**

**Executives directors**

Bo Zhu  
Zheng Yu

**Other key management personnel**

Xianhong Fan  
Yilin Huang  
Hui Gao

The totals of remuneration paid to KMP of the consolidated entity during the year are as follows:

	FY2018	FY2017
	\$	\$
Short-term employee benefits	178,052	158,686
<b>Total KMP Compensation</b>	<b>178,052</b>	<b>158,686</b>

**Issue of shares**

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

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

**Note 22: 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.

	Parent 2018	Parent 2017
	\$	\$
Current assets	6,627,941	1,207,378
Non-current assets	972,280	972,280
<b>Total assets</b>	<b>7,600,221</b>	<b>2,179,658</b>
Current liabilities	1,496,512	1,207,378
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>1,496,512</b>	<b>1,207,378</b>
Contributed equity	8,009,384	972,280
Reserves	(1,194)	-
Retained earnings	(1,904,481)	-
<b>Total equity</b>	<b>6,103,709</b>	<b>972,280</b>
Loss for the year	(1,904,481)	-
<b>Total comprehensive loss for the year</b>	<b>(1,904,481)</b>	<b>-</b>

**Contingent liabilities**

The parent entity had no contingent liabilities as at 30 September 2018 (2017: nil).

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

The parent entity had no contractual commitments as at 30 September 2018 (2017: nil).

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 23: 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.

Name of entity	Countries of incorporation	Ownership interest	
		30 September 2018 %	30 September 2017 %
Hong Kong Bojun Investment Management Co., Ltd	Hong Kong	100	100
Shenzhen Bojun Management Consulting Co., Ltd	People's Republic of China	100	100
Jiangxi Bojun Ecological Agriculture Development Co., Limited	People's Republic of China	100	100
Bojun International Holdings Co., Ltd	British Virgin Island	100	100

**Note 24: Reconciliation of Profit after Income Tax to Net Cash from Operating Activities**

	FY2018 \$	FY2017 \$
Profit after income tax expense for the year	9,313,641	10,456,728
Adjustments for:		
Depreciation and amortisation	437,455	367,524
Interest paid	65,000	-
Foreign exchange difference	1,736,407	(575,786)
<b>Change in operating assets and liabilities:</b>		
Increase in trade and other receivables	(7,300,604)	(2,977,405)
Increase in inventories	(3,595,258)	(2,132,273)
Decrease/(increase) in prepayments	1,206,439	(1,061,124)
Increase in trade and other payables	143,240	67,719
Increase/(decrease) in current tax liabilities	135,029	(205,531)
Increase in deferred revenue	3,216	-
Increase in deferred tax liabilities	(160,390)	160,390
Net cash from operating activities	<u>1,984,175</u>	<u>4,100,242</u>

**Note 25: Earnings per Share**

	FY2018 \$	FY2017 \$
Basic earnings per share	7.94	10.89
Diluted earnings per share	7.94	10.89
<i>Earnings per share for profit</i>		
Profit after income tax	9,313,641	10,456,728
Weighted average number of ordinary shares used in calculating basic earnings per shares	117,248,362	96,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per shares	117,248,362	96,000,000

**Note 26: Contingent Liabilities**

The consolidated entity had no contingent liabilities as at 30 September 2018 and 30 September 2017.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 27: Commitments**

	<b>30 September 2018</b>	<b>30 September 2017</b>
Operating commitment		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,460,150	-
One to five years	120,840	-
More than five years	80,560	-
	<hr/> 1,782,390 <hr/>	<hr/> - <hr/>

**Note 28: 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial years subsequent to 30 September 2018.

**BOJUN AGRICULTURE HOLDINGS LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**DIRECTORS' DECLARATION**

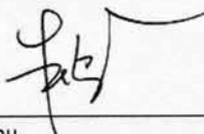
In the directors' opinion:

- 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(a) to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 September 2018 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

14 December 2018  
Jiangxi, China

## 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 the controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 September 2018, 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 statements, 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 2018 and of its financial performance for the year then ended; 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 auditor independence requirements of 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 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 year. 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

### Why a key audit matter

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, fruit confectionery and enzyme drink products.

Revenue recognition was identified as a key audit matter due to the significance of revenue to the financial report.

*Refer to Note 4 for revenue of the Group and the accounting policy for revenue recognition in Note 2.*

### How our audit addressed the risk

Our audit strategy to address this matter, amongst others:

- We reviewed the revenue recognition policies adopted by the Company to ensure compliance with Australia Accounting standards;
- We understood and documented the processes and controls used by the Group in recording revenue;
- We examined sales agreements signed within the period to verify the existence of sales revenue;
- We performed analytical procedures to understand movements and trends in revenue for comparison against the expectations;
- We performed analytical procedures on revenue recorded during the year by comparing the current year revenue with the prior year. Also compared gross margins with prior period. Obtained explanations of significant variations from management and corroborated those with our understanding of the business and other evidence obtained during the audit;
- We reviewed the terms and conditions of the executed agreements and ensured that the appropriate accounting treatment had been correctly applied;
- We traced sales recorded in the books to the customers' receipts into the bank account to verify existence of sales revenue;
- We performed analytical procedures to understand movements and trends in revenue for comparison against the expectations;

- We evaluated the existence and completeness of sales revenue through seeking direct independent confirmations from the Group’s distributors;
- We reviewed sales revenue transactions around the end of the year to test correct cut-off has been applied;
- We reviewed journals processed through the revenue general ledger to assess its reasonability to test there is no management override of controls; and
- We considered the impact of potential returns or exchange requests subsequent to the year end and the appropriateness of relevant accounting treatment.

## EXPENSES

Why a key audit matter	How our audit addressed the risk
<p>There is a risk that the Group has recorded fictitious expenses that do not belong the Group.</p>	<p>Our audit strategy to address this matter, amongst others:</p> <ul style="list-style-type: none"> <li>▪ For a sample of expense items, we agreed the expenses from the ledger to supplier invoices to test that expenses are recorded at the correct amount (accuracy), in the correct period (cut-off) and is appropriately authorised by senior management;</li> <li>▪ We evaluated the existence and completeness of purchases through seeking direct independent confirmations from the Group’s suppliers;</li> <li>▪ We understood and documented the processes and controls used by the Group in recording revenue;</li> <li>▪ We performed analytical procedures to understand movements and trends in</li> </ul>

expenses for comparison against the expectations

- Performed recalculations on a sample of expenses and investigated any material movements with the management.

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### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 September 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

## Report on the Remuneration Report

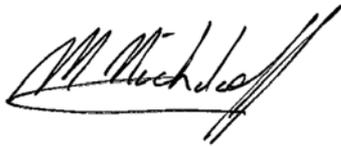
### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 September 2018.

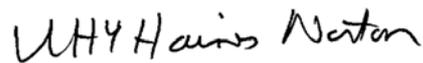
In our opinion, the Remuneration Report of Bojun Agriculture Holdings Limited, for the year ended 30 September 2018, complies with section 300A of the *Corporations Act 2001*.

### *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.



**Mark Nicholaeff**  
**Place: Sydney**  
**Date: 14 December 2018**



**UHY Haines Norton**  
**Chartered Accountants**

**Bojun Agriculture Holdings Limited**  
**Shareholder Information**  
**30 September 2018**

**ASX ADDITIONAL INFORMATION**

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

**SHAREHOLDINGS**

The issued capital of the Company at 20 December 2018 is 87,240,013 ordinary fully paid shares. All ordinary shares carry one vote per share.

**TOP 20 SHAREHOLDERS AS AT 20 DECEMBER 2018**

	<b>No. of Shares Held</b>	<b>% Held</b>
1 ZHENXING LIU	7,920,000	9.08%
2 AI'DONG SUN	6,480,000	7.43%
3 LI YI	6,240,000	7.15%
4 XIAOMAO HUANG	4,896,000	5.61%
5 YIRAN XU	4,896,000	5.61%
6 ZHILIANG ZHU	4,896,000	5.61%
7 XIAOBEI HUANG	4,320,000	4.95%
8 IAN TRUMP INTERNATIONAL LTD	3,840,000	4.40%
9 WEN WANG	3,840,000	4.40%
10 WEI YUAN	3,840,000	4.40%
11 WAHOO HOLDINGS LIMITED	2,880,000	3.30%
12 YAN ZHANG	2,880,000	3.30%
13 BEIJING YUANJING ZHENRONG SOFTWARE TECHNOLOGY CO LTD	2,400,000	2.75%
14 BEIJING LIANCHUANG GUANGDA SCIENCE & TECHNOLOGY CO LTD	1,920,000	2.20%
15 BEIJING RUIHUA FUTURE INVESTMENT MANAGEMENT CO LTD	1,894,427	2.17%
16 LEE SHING KAN	1,333,334	1.53%
17 RAN TAO	1,305,458	1.50%
18 WEI ZHOU	974,222	1.12%
19 LIQIN HUANG	844,326	0.97%
20 MR MING CHENG	784,157	0.90%
Total Securities of Top 20 Holdings	<b>68,383,924</b>	<b>78.39%</b>

**Shares Range**

	<b>No. of Holders</b>	<b>No. of Shares</b>
100,001 and Over	68	82,527,949
10,001 to 100,000	99	4,226,985
5,001 to 10,000	59	454,346
1,001 to 5,000	12	30,041
1 to 1,000	11	692
	<b>249</b>	<b>87,240,013</b>

Ten (10) shareholders holding less than a marketable parcel

**Shareholders by Location**

	<b>No. of Holders</b>	<b>No. of Shares</b>
Australian holders	117	3,019,789
Overseas holders	132	84,220,224
	<b>249</b>	<b>87,240,013</b>

**Bojun Agriculture Holdings Limited**  
**Shareholder Information**  
**30 September 2018**

**VOTING RIGHTS**

The holders of ordinary shares are entitled to one vote per share at meetings of the Group.

**SUBSTANTIAL SHAREHOLDERS AS AT 20 DECEMBER 2018**

	<b>No. of Shares Held</b>	<b>% Held</b>
ZHENXING LIU	7,920,000	9.08%
AI'DONG SUN	6,480,000	7.43%
LI YI	6,240,000	7.15%
XIAOMAO HUANG	4,896,000	5.61%
YIRAN XU	4,896,000	5.61%
ZHILIANG ZHU	4,896,000	5.61%

**OPTION HOLDINGS**

There are no options of the Company on issue at 20 December 2018.

**REQUIREMENT LISTING RULE 4.10.18**

In accordance with the listing rule 4.10.18 the Company confirms that it is not currently subject to an on-market buyback.

**REQUIREMENT LISTING RULE 4.10.19**

In accordance with the listing rule 4.10.19 the Company confirms that it has used cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its stated business objectives.