

# **JIAJIAFU MODERN AGRICULTURE LIMITED**

**ABN 82 607 739 159**

## **HALF YEAR REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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## CORPORATE DIRECTORY

<b>Directors</b>	Mr Qingkai Li Mr Zhiguo Li Mr Haizhu Cai
<b>Secretary</b>	Mr Zhiguo Li
<b>Registered Office</b>	ABL Accounting & Taxation Pty Ltd Suite 615, 368 Sussex Street Sydney NSW 2000
<b>Principal Place of Business in Australia</b>	Suite 615, 368 Sussex Street Sydney NSW 2000
<b>Principal Place of Business in China</b>	13th Floor, Block A, New Asia Fortune Plaza Qingzhou, Shandong Province, China
<b>Share Register</b>	Advanced Share Registry Services 110 Stirling Highway Nedlands WA 6009
<b>Auditor</b>	Nexia Melbourne Audit Pty Ltd Level 12, 31 Queen Street Melbourne, VIC 3000
<b>Bankers</b>	ANZ Bank 382 Victoria Ave, Chatswood NSW 2067  ICBC Bank Sydney Branch Level 1, 220 George Street Sydney NSW 2000
<b>Website address</b>	<a href="http://www.jjfma.com">http://www.jjfma.com</a>

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

Appendix 4D

Half Year Report to the ASX under Listing Rule 4.2A

**Name of entity**

Jiajiafu Modern Agriculture Limited

**ABN**

82 607 739 159

**Reporting period**

Half Year ended 31 December 2018

**Previous corresponding period**

Half Year ended 31 December 2017

## 1. Results for Announcement to the Market

	\$	Percentage increase/(decrease) over previous corresponding period
Revenue from continuing operations	19,646,242	(2.49%)
(Loss) from ordinary operations after income tax attributable to members	(41,449)	(101.24%)
Net loss for the period attributable to members	(41,449)	(101.24%)
Net tangible asset value per share	As at 31 December 2018	49.53 cents
	As at 31 December 2017	44.38 cents

## 2. Review of Operations

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

## 3. Details of Controlled Entities

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

## 4. Details of Associates and Joint Venture Entities

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

## 5. Dividends

No dividend for the half year ended 31 December 2018 has been declared or paid to shareholders.

## 6. Audit Disputes or Qualifications

There are no audit disputes or qualifications.

## 7. Accounting Standards

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

# **JIAJIAFU MODERN AGRICULTURE LIMITED**

**ABN 82 607 739 159**

**Consolidated Financial Statements  
For the Half Year Ended 31 December 2018**

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## Directors' Report

31 December 2018

### 1. General Information

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

Mr Qingkai Li	
Mr Wenyuan Zhao	(Resigned on 29 November 2018)
Mr Zhiguo Li	
Mr Haizhu Cai	

### 2. Principal activities

Jijiafu Modern Agriculture Limited and its controlled entities ("the consolidated entity") produce and sell a wide range of fresh produce, such as cucumbers, tomatoes, eggplants, peppers and dandelion leaves. The consolidated entity also trades in agriculture supplies, such as fertilizers and pesticides.

### 3. Review of operations

During this half-year, the consolidated entity has incurred a net operating loss of \$41,449, representing a decrease by \$3.40 million compared to the prior period. 260,000 square meters of the consolidated entity's farmland has weathered an unexpected flood due to heavy rainfall. The flood has destroyed unmaturing turnip, green houses and other production facilities thereon. This has led to a decrease in sales revenue from \$20.15 million for the comparable period to \$19.65 million for the half-year ended 31 December 2018 (ie. -2.49%). Also, the consolidated entity has written off the unmaturing turnip of \$238,898 and recognised maintenance costs of \$3,062,722 relating to the repair of green houses and other production facilities destroyed by the flood. In order to recover from the natural disaster, the consolidated entity has seeded the destroyed farmland and expects to harvest in this coming June.

In order to achieve a better yield rate and to prevent the farmland from flood, the consolidated entity further expanded its investment in production facilities. During the half year, the consolidated entity has spent \$6.20 million on 33 new vegetable green houses and a new irrigating system. It is expected that the consolidated entity will achieve a steady increase in vegetable yield volume and an increase in sales revenue in the remaining period of this financial year.

The consolidated entity has abundant cash flows due to the acceleration of collection of receivables and has repaid its debt of \$4.09 million on maturity. The repayment debt has improved its liquidity – its current ratio has increased from 4.09 as at 30 June 2018 to 11.99 as at 31 December 2018.

### 4. Significant changes in the state of affairs

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

### 5. Dividends

By the date of this report, the Board is yet to make a decision on dividend payment for the financial period ended 31 December 2018.

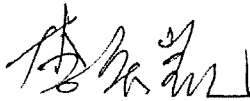
**Directors' Report (Continued)**

31 December 2018

**6. Auditor's Independence Declaration**

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

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



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Qingkai Li  
Executive Chairman

27 February 2018  
Qingzhou, China



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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018 there have been:

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



**Nexia Melbourne Audit Pty Ltd**  
Melbourne



**Richard S. Cen**  
Director

Dated this 27th day of February 2019

**JIAJIAFU MODERN AGRICULTURE LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For The Half-Year Ended 31 December 2018**

	Notes	Consolidated Half-Year ended 31 December 2018 \$	Consolidated Half-Year ended 31 December 2017 \$
Revenue	6	19,646,242	20,146,952
Other income	7	130,028	630,866
<b>Expenses</b>			
Cost of sales		(15,701,745)	(16,438,974)
Administration expenses		(554,623)	(599,879)
Sales expenses		(230,246)	(231,552)
Non-recurring operating expenses	8	(3,301,620)	-
Other expenses		(1,482)	(15,101)
Interest expenses		(28,003)	(137,914)
<b>(Loss)/Profit before income tax</b>		<b>(41,449)</b>	<b>3,354,398</b>
Income tax expense		-	-
<b>(Loss)/Profit for the period</b>		<b>(41,449)</b>	<b>3,354,398</b>
<b>Other comprehensive income</b>			
<i>Items that maybe reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		293,040	870,307
Other comprehensive income for the period, net of tax		293,040	870,307
<b>Total comprehensive income for the period</b>		<b>251,591</b>	<b>4,224,705</b>
<b>(Loss)/Profit for the period is attributable to:</b>			
Owners of Jiajiafu Modern Agriculture Limited		(41,449)	3,354,398
		(41,449)	3,354,398
<b>Total comprehensive income for the period is attributable to:</b>			
Owners of Jiajiafu Modern Agriculture Limited		251,591	4,224,705
		251,591	4,224,705

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

For The Half-Year Ended 31 December 2018

	Cents	Cents
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:</b>		
Basic earnings per share	(0.05)	3.94
Diluted earnings per share	(0.05)	3.94
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>		
Basic earnings per share	(0.05)	3.94
Diluted earnings per share	(0.05)	3.94

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

**JIAJIAFU MODERN AGRICULTURE LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**Consolidated Statement of Financial Position**  
**As at 31 December 2018**

	Notes	Consolidated	
		31 December 2018 \$	30 June 2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,272,995	16,782,398
Trade and other receivables	10	1,259,029	3,200,694
Prepayments		308,973	-
Inventories		90	939
Biological assets	11	6,511,764	993,904
Total current assets		<u>11,352,851</u>	<u>20,977,935</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	28,060,314	22,565,221
Prepaid lease assets	13	3,835,905	3,645,322
Intangible assets		45,335	49,202
Financial assets through fair value through other comprehensive income		102,991	-
Available-for-sale financial assets		-	102,275
Total non-current assets		<u>32,044,545</u>	<u>26,362,020</u>
<b>Total assets</b>		<u>43,397,396</u>	<u>47,339,955</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	947,002	1,044,242
Borrowings	15	-	4,090,983
Total current liabilities		<u>947,002</u>	<u>5,135,225</u>
<b>Non-current liabilities</b>			
Deferred revenue		214,049	219,976
Total non-current liabilities		<u>214,049</u>	<u>219,976</u>
<b>Total liabilities</b>		<u>1,161,051</u>	<u>5,355,201</u>
<b>Net assets</b>		<u>42,236,345</u>	<u>41,984,754</u>
<b>Equity</b>			
Share capital		25,960,975	25,960,975
Translation reserve		2,377,982	2,084,942
Retained earnings		13,897,388	13,938,837
<b>Total equity</b>		<u>42,236,345</u>	<u>41,984,754</u>

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

**JIAJIAFU MODERN AGRICULTURE LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**Consolidated Statement of Changes in Equity**  
**For The Half-Year Ended 31 December 2018**

	Share Capital	Translation reserve	Retained earnings	Total equity
Consolidated				
Balance at 1 July 2018	\$ 25,960,975	\$ 2,084,942	\$ 13,938,837	\$ 41,984,754
(Loss) for the half year	-	-	(41,449)	(41,449)
Other comprehensive income for the half year	-	293,040	-	293,040
Total comprehensive income for the half year	-	293,040	(41,449)	251,591
<b>Balance at 31 December 2018</b>	<b>25,960,975</b>	<b>2,377,982</b>	<b>13,897,388</b>	<b>42,236,345</b>

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

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

**JIAJIAFU MODERN AGRICULTURE LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**Consolidated Statement of Cash Flows**  
For The Half-Year Ended 31 December 2018

	Consolidated	
	Half-Year ended 31 December 2018 \$	Half-Year ended 31 December 2017 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	21,566,118	20,694,590
Payments to suppliers	(23,938,694)	(19,963,083)
Interest paid	(36,753)	(137,914)
Interest received	7,970	18,100
Net cash generated from operating activities	<u>(2,401,359)</u>	<u>611,693</u>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(6,201,247)	-
Prepayments for leased assets	(679,875)	-
Payments for renewing intangible assets	(1,649)	-
Net cash used in investing activities	<u>(6,882,771)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Repayments of borrowings	(4,022,931)	(231,871)
Proceeds from related parties	-	11,775
Net cash used in financing activities	<u>(4,022,931)</u>	<u>(220,096)</u>
Net increase/(decrease) in cash and cash equivalents	(13,307,061)	391,597
Cash and cash equivalents at the beginning of year	16,782,398	7,850,952
Effects of exchange rate changes on cash and cash equivalents	(202,342)	196,179
Cash and cash equivalents at the end of period	<u>3,272,995</u>	<u>8,438,728</u>

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

**Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018**

**Note 1 Corporate information**

The consolidated financial statements of Jiajiafu Modern Agriculture Limited and its controlled entities for the period ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 27 February 2019. The consolidated financial statements cover Jiajiafu Modern Agriculture Limited and its subsidiaries as required by the *Corporations Act 2001* (combined as the consolidated entity). The consolidated entity is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars. The functional currency of the consolidated entity is Chinese Yuan ("RMB").

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

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

**Note 2 Basis of preparation of half-year report**

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and *the Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the consolidated entity during the interim reporting period in accordance with the continuous disclosure requirements of *the Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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

A number of new or amended standards became applicable for the current reporting period and the consolidated entity had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- AASB 9 Financial Instruments, and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the consolidated entity's accounting policies and did not require retrospective adjustments.

**Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018**

**Note 2 Basis of preparation of half-year report (continued)**

**Impact of standards issued but not yet applied by the consolidated entity**

Standard Name	Effective date for the consolidated entity	Requirements	Impact
AASB 16 Leases	1 July 2019	<p>AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments.</p> <p>A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.</p>	The impact of AASB 16 has not yet quantified.

**Note 3 Changes in accounting policies**

**a) AASB 9 Financial instruments – impact of adoption**

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out as below. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

The adoption of AASB 9 does not have any material impact on the consolidated entity's opening retained earnings. Thus, the retained earnings as at 30 June 2018 have not been restated.

*Classification and measurement*

On 1 July 2018 (the date of initial application of AASB 9), the consolidated entity's management has assessed which business models apply to the financial assets held by the consolidated entity and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification are as follows:



**Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018**

**Note 3 Changes in accounting policies (continued)**

Financial assets – 1 July 2018	Notes	FVPL	FVOCI (available for sale 2017)	Held-to-maturity	Amortised cost (Receivable 2017)
Closing balance as at 30 June 2018 – AASB 139*		-	102,275	-	3,200,694
Reclassify non-trading equities from available-for-sale to FVOCI*	(i)	-	-	-	-
Opening balance as at 1 July 2018 – AASB 9		-	102,275	-	3,200,694

\*The closing balances as at 30 June 2018 show available-for-sale financial assets under FVOCI. These reclassifications have no impact on the measurement categories. The financial assets at amortised cost are after reclassifications and adjustments arising from the adoption of AASB 15 and include trade and other receivables at amortised cost, but exclude cash and cash equivalents.

(i) Equity investments previously classified as available-for-sale

The consolidated entity elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of \$102,275 were reclassified from available-for-sale financial assets to financial assets at FVOCI. Since the fair value of the financial asset is close to its investment cost, the consolidated entity has not recognised any fair value gain under FVOCI reserve by 30 June 2018.

(ii) Trade and other receivables

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics, the recent sales experience, the days past due, historical collection rates and specific knowledge of the individual debtors' financial position. Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the consolidated entity, and a failure to make contractual payments for a period of greater than 120 days past due.

As at the reporting date, trade and other receivables are all within its credit term and the consolidated entity does not identify any specific credit risk relating to the outstanding balance. Thus, no loss allowance for trade and other receivables have been recognized as at 31 December 2018 (30 June 2018: nil).

*AASB 9 Financial Instruments – Accounting policies applied from 1 July 2018*

(i) Investments and other financial assets

Classification

From 1 July 2018, the consolidated entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

**Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018**

**Note 3 Changes in accounting policies (continued)**

a) AASB 9 Financial instruments – impact of adoption (continued)  
Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the consolidated entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Measurement

At initial recognition, the consolidated entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The consolidated entity subsequently measures all equity investments at fair value. Where the consolidated entity's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the consolidated entity's right to receive payments is established.

Impairment

From 1 July 2018, the consolidated entity assesses on a forward looking basis the expected credit losses associated with its FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the consolidated entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

b) AASB 15 Revenue from Contracts with Customers – Impact of adoption

The consolidated entity has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The change from AASB 9 to AASB 15 has no impact on the consolidated entity's revenue recognition method and thus, the consolidated entity has not restated comparatives for the 2017 financial year and the opening retained earnings. The new accounting policies of revenue recognition are set out as below.

*AASB 15 Revenue from Contracts with Customers – Accounting policies applied from 1 July 2018*

Sale of goods - wholesale

The consolidated entity grows and sells varieties of agricultural produce to wholesalers. Sale of goods is recognised at the point of sale, when control of the products has transferred, being when the products are delivered to the wholesalers, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of products. Delivery occurs when the products have been shipped by the consolidated entity's track to the specific locations designated by the wholesaler, which are close to the consolidated entity's farmlands geographically. The acknowledgement of receipt by customers is supported with explicit expression from customers. Revenue from these sales is recognised based on the price specified in the sales order net of sales return. Accumulated experience is used to estimate and provide for the sales return and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The consolidated entity does not grant any discount to its customers. No element of financing is deemed present as the sales are made with credit terms varying from 30 days to 90 days.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## Notes to the Consolidated Financial Statements For The Half-Year Ended 31 December 2018

### **Note 4 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.

#### *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 of prepaid lease assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than the previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold are written-off or written down.

#### *Provision for impairment of receivables*

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

#### *Fair value of biological assets*

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

#### *Recognition of buildings with pending legal title ownership*

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

#### *Income tax*

The 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. consolidated entity recognises liabilities for anticipated tax 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.

#### *Unrecognition of deferred tax asset for carried forward tax losses*

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

JIAJIAFU MODERN AGRICULTURE LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

**Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018**

**Note 5 Segment Information**

**Description of segment**

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

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

**Note 6 Revenue**

	Half year ended	
	31 December 2018	31 December 2017
	\$	\$
<i>Sales revenue</i>		
Sales of agriculture produce	19,646,242	20,146,952

**Note 7 Other income**

	Half-year ended	
	31 December 2018	31 December 2017
	\$	\$
Government grant	118,324	612,766
Interest income	7,971	18,100
Foreign exchange gains	3,733	-
	130,028	630,866

**Note 8 Non-recurring operating expenses**

Loss for the half-year includes the following items that are unusual because of their nature, size or incidence:

	Half year ended	
	31 December 2018	31 December 2017
	\$	\$
<i>Expenses</i>		
Write-off of agriculture produce destroyed by flood*	238,898	-
Maintenance of green houses and other production facilities destroyed by flood*	3,062,722	-
	3,301,620	-

\*: During the half year, part of the consolidated entity's farmland was flooded. Accordingly, the consolidated entity recognised a loss of RMB 1,187,679, equivalent to \$238,898, for unmatured turnip write-off and charged RMB 15,226,320, equivalent to \$3,062,772, for the maintenance costs of green houses and other production facilities destroyed by flood.

**Note 9 Dividends**

By the date of this report, no dividend for the half year ended 31 December 2018 has been declared or paid to shareholders by the consolidated entity (half year ended 31 December 2017: nil).

**Notes to the Consolidated Financial Statements**  
For The Half-Year Ended 31 December 2018

**Note 10 Trade and Other Receivables**

	As at	
	31 December 2018 \$	30 June 2018 \$
Trade receivables	1,252,824	3,196,464
Other receivables		
Refundable GST	3,661	951
Others	2,544	3,279
	1,259,029	3,200,694

**Note 11 Biological Assets**

	As at	
	31 December 2018 \$	30 June 2018 \$
Biological assets – at fair value	6,511,764	993,904

**a) Reconciliation of changes in carrying amount of biological assets**

	Note	Half-year ended	
		31 December 2018 \$	31 December 2017 \$
Opening balance		993,904	921,645
Change in fair value		1,059,629	890,022
Increase due to purchases		28,638,797	19,479,070
Decrease due to harvests		(24,077,992)	(15,869,011)
Unexpected loss due to flood	8	(238,898)	-
Net exchange difference		136,324	102,840
Closing balance		6,511,764	5,524,566

**b) Measurement of fair values**

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

**JIAJIAFU MODERN AGRICULTURE LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
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**Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018**

**Note 12 Property, plant and equipment**

	As at	
	31 December 2018 \$	30 June 2018 \$
Buildings & Plant Facilities* - at cost	8,835,713	4,992,865
Less: Accumulated depreciation	<u>(2,743,767)</u>	<u>(2,415,657)</u>
	<u>6,091,946</u>	<u>2,577,208</u>
Green House – at cost	25,698,227	23,352,715
Less: Accumulated depreciation	<u>(4,344,045)</u>	<u>(3,730,368)</u>
	<u>21,354,182</u>	<u>19,622,347</u>
Office and Other Equipment – at cost	93,391	92,741
Less: Accumulated depreciation	<u>(64,255)</u>	<u>(61,192)</u>
	<u>29,136</u>	<u>31,549</u>
Motor Vehicles** - at cost	386,043	383,358
Less: Accumulated depreciation	<u>(116,402)</u>	<u>(98,780)</u>
	<u>269,641</u>	<u>284,578</u>
Bearer Plant – at cost	759,557	396,314
Less: Accumulated depreciation	<u>(444,148)</u>	<u>(346,775)</u>
	<u>315,409</u>	<u>49,539</u>
Total Property, Plant and Equipment – at cost	35,772,931	29,217,993
Less: Accumulated depreciation	<u>(7,712,617)</u>	<u>(6,652,772)</u>
Total Net Property, Plant and Equipment	<u>28,060,314</u>	<u>22,565,221</u>

\*: As at 31 December 2018, there was one building with a net carrying value of \$1,254,555 included in Building & Plant Facilities above without legal title ownership (30 June 2018: \$1,258,651). Refer to note 4 for details of the basis of recognition.

\*\* : As at 31 December 2018, the consolidated entity pledged its motor vehicles with net carrying value of RMB 669,751, equivalent to \$137,956, to a Chinese state-owned enterprise as the guarantor on behalf of Qingzhou Jiajiafu Fruits and Vegetables Professional Cooperative ('the Cooperative'). The Cooperative borrowed RMB 10 million (or \$2.05 million) from two banks and the loan was guaranteed by the Chinese state-owned enterprise. The consolidated entity owns 0.3% of ownership interest of the Cooperative.

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Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018

Note 12 Property, plant and equipment (continued)

*Reconciliations*

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

Consolidated	Buildings & Plant facilities \$	Green House \$	Office and Other Equipment \$	Motor Vehicles \$	Bearer Plant \$	Total \$
Balance at 1 July 2018	2,577,208	19,622,347	31,549	284,578	49,539	22,565,221
Additions	3,718,495	2,130,745	-	-	352,006	6,201,246
Depreciation expense	(303,886)	(573,760)	(2,573)	(16,532)	(92,716)	(989,467)
Exchange differences	100,129	174,850	160	1,595	6,580	283,314
Balance at 31 December 2018	<u>6,091,946</u>	<u>21,354,182</u>	<u>29,136</u>	<u>269,641</u>	<u>315,409</u>	<u>28,060,314</u>

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES  
CONSOLIDATED FINANCIAL STATEMENTS  
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**Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018**

**Note 13 Prepaid Lease Assets**

	As at	
	31 December 2018	30 June 2018
	\$	\$
Prepaid lease of buildings and fixtures – at cost	1,288,120	1,279,162
Less: accumulated amortisation	(205,642)	(172,312)
Prepaid rental of farmland – at cost	4,887,225	4,161,860
Less: accumulated amortisation	(2,133,798)	(1,623,388)
	3,835,905	3,645,322

**Note 14 Trade and Other Payables**

	Note	As at	
		31 December 2018	30 June 2018
		\$	\$
Purchase of fertilisers		205,982	-
Other payables			
Loans due to directors	17	199,337	194,884
Payables assumed during acquisition of subsidiary*		212,667	211,188
Accrued rental		-	352,084
Audit fee payable		107,692	61,365
Provisions for pension and social insurance		98,664	75,401
Others		122,660	149,320
		947,002	1,044,242

\*: The payable of RMB 1,032,454 equivalent to \$212,667 as at 31 December 2018 (30 June 2018: \$211,188) were assumed during the acquisition of the subsidiary, Weifang Ximan Agricultural Co., Ltd. (previously known as Ximan Packing Materials (Shenzhen) Co., Ltd.). Ximan Packing Materials (Shenzhen) Co., Ltd. moved its office from Shenzhen China to Weifang China and changed its name to Weifang Ximan Agricultural Co., Ltd. in December 2018.

**Note 15 Borrowings**

	As at	
	31 December 2018	30 June 2018
	\$	\$
<b>Secured</b>		
Shanghai Pudong Development Bank*	-	4,090,983
	-	4,090,983

\*: On 24 January 2018, the consolidated entity renewed the loans with a total principal of RMB 20 million, equivalents to \$4,090,983, from Shanghai Pudong Development Bank ('SPDB') with an interest rate of 7.83%. This loan is guaranteed by a Chinese state-owned company. The loan was fully repaid when it matured on 24 July 2018 and the guaranty was then released accordingly.



**JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES  
CONSOLIDATED FINANCIAL STATEMENTS  
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**Notes to the Consolidated Financial Statements  
For The Half-Year Ended 31 December 2018**

**Note 16 Contingencies**

The consolidated entity has no contingent liabilities and capital commitments as at 31 December 2018 (30 June 2018: Nil).

**Note 17 Related Party Transactions**

***Transactions with related parties***

Ms Zhihong Gao, the wife of Mr. Qingkai Li (CEO and Director of the consolidated entity), owns 35% interest of Qingzhou Jiajiafu Outsourcing Service Co., Ltd, a subsidiary of the consolidated entity.

***Amount due from/to related parties***

The following balances are outstanding loans provided by related parties:

	31 December 2018	As at 30 June 2018
	\$	\$
<b><i>Loans due to related parties</i></b>		
Loans due to Mr Qingkai Li (CEO and Director)	173,291	194,884
Loans due to Mr. Zhiguo Li (Director and Company Secretary)	26,046	-

***Terms and conditions***

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

**Note 18 Events Occurring after the Reporting Period**

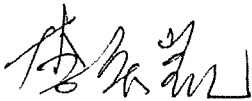
No matters or circumstances have arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Declaration by Directors

The directors of the consolidated entity declare that:

- (a) The consolidated financial statements and notes set out on pages 10 to 25 are in accordance with the *Corporations Act 2001* and:
- (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year then ended.
- (b) In the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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



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Qingkai Li  
Executive Chairman

27 February 2019  
Qingzhou, China

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

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Jiajiafu Modern Agriculture Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### **Directors' Responsibility for the Half-Year Financial Report**

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

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Jiajiafu Modern Agriculture Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### **Independence**

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

## **Conclusion**

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

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

**Nexia Melbourne Audit Pty Ltd**  
Melbourne

A blue ink signature of Richard S. Cen, consisting of several overlapping, horizontal strokes.

**Richard S. Cen**  
Director

Dated this 27th day of February 2019

