

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES

ABN 82 607 739 159

**Appendix 4E
Preliminary Final Report
for the year ended 30 June 2019**

1. Details of the reporting period

Current Period: 1 July 2018 – 30 June 2019

Previous Corresponding Period: 1 July 2017 – 30 June 2018

2. Results for announcement to the market

2.1 Revenue from continuing operations	Increase	6%	to	\$55,211,443
2.2 Profit from continuing operations after income tax attributable to members	Decrease	34%	to	\$3,955,077
2.3 Net profit for the period attributable to members	Decrease	34%	to	\$3,955,077

2.4 Dividends

No dividend was declared or paid during the year.

2.5 Explanation of Results

Revenue

The Group recorded total revenue of \$55,211,443 for the financial year ended 30 June 2019, compared to \$51,900,433 for the corresponding period of 2018. This represents an increase of 6%. The sales growth mainly achieved through the increase of yield volume and selling prices of major produce, such as cucumbers, tomatoes and peppers. For further information refer to commentary on review of operations in section 14.

Net profit after tax from continuing operations

Although net profit after tax decreased from \$5,979,861 in financial year 2018 to \$3,955,077 in financial year 2019, the decrease was mainly caused by a non-recurring natural disaster. During the year, part of the Group's farmland was flooded. Accordingly, the Group recognised a loss of \$243,250 for unmatured turnip write-off and \$3,118,527 for the maintenance of green houses and other production facilities destroyed by flood.

Without considering the direct impact of this non-recurring event, the Group's net profit for the year reached \$7,316,854, representing a growth of \$1,336,993 (i.e. 22%) compared to previous corresponding period. The increase was mainly contributed by the sales growth and the increase of gross margin rate.

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

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2019

	Notes	Consolidated	
		FY2019	FY2018
		\$	\$
Revenue from contracts with customers	3.1	55,211,443	51,900,433
Cost of sales		<u>(46,574,555)</u>	<u>(44,553,927)</u>
Gross Profit		8,636,888	7,346,506
Administration expenses		(1,002,643)	(1,132,743)
Sales expenses		(471,497)	(485,707)
Non-recurring operating expenses	3.2	(3,361,777)	-
Other expenses		(3,171)	(133,608)
Other income		<u>174,649</u>	<u>657,166</u>
Operating profit		3,972,449	6,251,614
Finance costs		<u>(17,372)</u>	<u>(271,753)</u>
Profit before income tax		3,955,077	5,979,861
Income tax expense		<u>-</u>	<u>-</u>
Profit for the year		<u>3,955,077</u>	<u>5,979,861</u>
Other comprehensive income			
<i>Items that maybe reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		<u>668,973</u>	<u>2,378,512</u>
Other comprehensive income for the year, net of tax		<u>668,973</u>	<u>2,378,512</u>
Total comprehensive income for the year		<u>4,624,050</u>	<u>8,358,373</u>
Profit for the year is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		<u>3,955,077</u>	<u>5,979,861</u>
		<u>3,955,077</u>	<u>5,979,861</u>
Total comprehensive income for the year is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		<u>4,624,050</u>	<u>8,358,373</u>
		<u>4,624,050</u>	<u>8,358,373</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	3.3	4.64	7.02
Diluted earnings per share	3.3	4.64	7.02
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	3.3	4.64	7.02
Diluted earnings per share	3.3	4.64	7.02

3.1 Revenue

	Consolidated	
	FY2019	FY2018
	\$	\$
Fresh produce	53,676,241	50,299,151
Agriculture supplies	<u>1,535,202</u>	<u>1,601,282</u>
	<u>55,211,443</u>	<u>51,900,433</u>

3.2 Non-recurring operating expenses

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

	Consolidated	
	FY2019	FY2018
	\$	\$
<i>Expenses</i>		
Write-off of agriculture produce destroyed by flood*	243,250	-
Maintenance of green houses and other production facilities destroyed by flood*	<u>3,118,527</u>	<u>-</u>
	<u>3,361,777</u>	<u>-</u>

*: During the year, part of the consolidated entity's farmland was flooded. Accordingly, the consolidated entity recognised a loss of RMB1,187,679, equivalent to \$243,250, for unmatured turnip write-off and charged RMB 15,226,320, equivalent to \$3,118,527, for the maintenance costs of green houses and other production facilities destroyed by flood.

3.3 Earnings per Share

	Consolidated	
	FY2019	FY2018
	Cents	Cents
<i>Basic earnings per share</i>		
From continuing operations attributable to the ordinary equity holders of the company	<u>4.64</u>	<u>7.02</u>
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>4.64</u>	<u>7.02</u>

3.3 Earnings per Share (continued)

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	FY2019	FY2018
	\$	\$
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	3,955,077	5,979,861
	3,955,077	5,979,861
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations	3,955,077	5,979,861
	3,955,077	5,979,861
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	85,183,987	85,183,987
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	85,183,987	85,183,987

4. Consolidated Statement of Financial Position
As At 30 June 2019

	Notes	Consolidated 30 June 2019 \$	30 June 2018 \$
Assets			
Current assets			
Cash and cash equivalents		4,773,601	16,782,398
Trade and other receivables	4.1	527,126	3,200,694
Prepayments	4.2	1,349,080	-
Inventories		19	939
Biological assets		1,104,520	993,904
Total current assets		<u>7,754,346</u>	<u>20,977,935</u>
Non-current assets			
FVTOCI		103,775	-
Property, plant and equipment	4.3	37,100,292	22,565,221
Prepaid lease assets	4.4	3,330,328	3,645,322
Intangible assets		41,436	49,202
Available-for-sale financial assets		-	102,275
Total non-current assets		<u>40,575,831</u>	<u>26,362,020</u>
Total assets		<u>48,330,177</u>	<u>47,339,955</u>
Liabilities			
Current liabilities			
Trade and other payables	4.5	1,513,217	1,044,242
Borrowings		-	4,090,983
Total current liabilities		<u>1,513,217</u>	<u>5,135,225</u>
Non-current liabilities			
Deferred revenue		208,156	219,976
Total non-current liabilities		<u>208,156</u>	<u>219,976</u>
Total liabilities		<u>1,721,373</u>	<u>5,355,201</u>
Net assets		<u>46,608,804</u>	<u>41,984,754</u>
Equity			
Share capital	4.6	25,960,975	25,960,975
Translation reserve		2,753,915	2,084,942
Retained earnings		17,893,914	13,938,837
Total equity		<u>46,608,804</u>	<u>41,984,754</u>

4.1 Trade and other receivables

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
Trade receivables	516,788	3,196,464
Other receivables		
Refundable GST	8,109	951
Others	2,229	3,279
	527,126	3,200,694

4.2 Prepayments

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
Prepaid expenses	103,776	-
Prepayments for newly hatched ducks*	1,245,304	-
	1,349,080	-

*: The Group invested in Qingzhou Jiajiafu Breeding Co., Ltd. (Qingzhou Breeding) in June 2019, taking a 70% stake in Qingzhou Breeding. The prepayments were made to purchase the newly hatched ducks for production of Qingzhou Breeding. For further information refer to commentary on review of operations in section 14.

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4.3 Property, plant and equipment

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
Buildings & Plant Facilities - at cost	18,873,751*	4,992,865
Less: Accumulated depreciation	<u>(3,154,951)</u>	<u>(2,415,657)</u>
	<u>15,718,800</u>	<u>2,577,208</u>
Green House	25,893,974	23,352,715
Less: Accumulated depreciation	<u>(5,020,829)</u>	<u>(3,730,368)</u>
	<u>20,873,145</u>	<u>19,622,347</u>
Office and Other Equipment	94,102	92,741
Less: Accumulated depreciation	<u>(67,399)</u>	<u>(61,192)</u>
	<u>26,703</u>	<u>31,549</u>
Motor Vehicles	388,983	383,358
Less: Accumulated depreciation	<u>(134,347)</u>	<u>(98,780)</u>
	<u>254,636</u>	<u>284,578</u>
Bearer Plant	765,343	396,314
Less: Accumulated depreciation	<u>(538,335)</u>	<u>(346,775)</u>
	<u>227,008</u>	<u>49,539</u>
Total Property, Plant and Equipment – at cost	46,016,153	29,217,993
Less: Accumulated depreciation	<u>(8,915,861)</u>	<u>(6,652,772)</u>
Total Net Property, Plant and Equipment	<u>37,100,292</u>	<u>22,565,221</u>

*: The Group has invested \$9,839,148 in building up plant facilities of Qingzhou Breeding. For further information refer to commentary on review of operations in section 14.

4.4 Prepaid lease assets

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
Prepaid lease of buildings and fixtures – at cost	1,297,932	1,279,162
Less: accumulated amortisation	<u>(239,162)</u>	<u>(172,312)</u>
Prepaid rental of farmland – at cost	4,924,452	4,161,860
Less: accumulated amortisation	<u>(2,652,894)</u>	<u>(1,623,388)</u>
	<u>3,330,328</u>	<u>3,645,322</u>

4.5 Trade and other payables

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
Trade payables	207,551	-
Other payables		
Payables due to directors	197,614	194,884
Payables assumed during acquisition of subsidiary	214,241	211,188
Accrued rental	357,248	352,084
Accrued audit fee	141,230	-
Others	395,333	286,086
	<u>1,513,217</u>	<u>1,044,242</u>

4.6 Share capital

Share capital

	30 June 2019		30 June 2018	
	Shares	\$	Shares	\$
Ordinary shares fully paid	<u>85,183,987</u>	<u>25,960,975</u>	<u>85,183,987</u>	<u>25,960,975</u>

The contributed equity represents the accumulated contributed equity within the subsidiaries. There was no movement in the number of shares during the year.

5. Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2019

Consolidated	Share Capital	Translation reserve	Retained earnings	Total equity
	\$	\$	\$	\$
Balance at 1 July 2018	25,960,975	2,084,942	13,938,837	41,984,754
Profit for the year	-	-	3,955,077	3,955,077
Other comprehensive income for the year	-	668,973	-	668,973
Total comprehensive income for the year	-	668,973	3,955,077	4,624,050
Balance at 30 June 2019	25,960,975	2,753,915	17,893,914	46,608,804

Consolidated	Share Capital	Translation reserve	Retained earnings	Total equity
	\$	\$	\$	\$
Balance at 1 July 2017	25,960,975	(293,570)	7,958,976	33,626,381
Profit for the year	-	-	5,979,861	5,979,861
Other comprehensive income for the year	-	2,378,512	-	2,378,512
Total comprehensive income for the year	-	2,378,512	5,979,861	8,358,373
Balance at 30 June 2018	25,960,975	2,084,942	13,938,837	41,984,754

6. Consolidated Statement of Cash Flows
For the Year Ended 30 June 2019

	Notes	Consolidated	
		FY2019 \$	FY2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST/VAT)		57,896,074	51,333,928
Payments to suppliers (inclusive of GST/VAT)		(49,144,949)	(43,314,193)
Government grant receipts		114,694	618,944
Interest paid		(17,372)	(263,131)
Interest received		109	19,098
Net cash generated from operating activities		<u>8,848,556</u>	<u>8,394,646</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(16,153,386)	-
Payments for leased assets		(692,263)	-
Payments for intangibles		-	(8,110)
Net cash used in investing activities		<u>(16,845,649)</u>	<u>(8,110)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	3,963,771
Repayments of borrowings		(4,096,231)	(4,201,597)
Advances from related parties		-	10,364
Net cash generated from financing activities		<u>(4,096,231)</u>	<u>(227,462)</u>
Net increase in cash and cash equivalents		(12,093,324)	8,159,074
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		84,527	772,372
Cash and cash equivalents at the end of year	6.1	<u><u>4,773,601</u></u>	<u><u>16,782,398</u></u>

6.1 Reconciliation of cash and cash equivalent

	Consolidated	
	30 June 2019 \$	30 June 2018 \$
Cash on hand	645	345
Cash at bank	<u>4,772,956</u>	<u>16,782,053</u>
Cash and cash equivalent	<u><u>4,773,601</u></u>	<u><u>16,782,398</u></u>

7. Dividends

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

8. Dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan for the financial year ended 30 June 2019.

9. Net tangible assets per ordinary share

	30 June 2019 Cents	30 June 2018 Cents
Net tangible assets per ordinary share	54.67	49.23

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

Not applicable.

11. Details of associates and joint venture entities

Not applicable.

12. Other significant information

Refer to commentary on review of operations in section 14.

13. Accountings standards

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

14. Review of operations

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

The Group recorded sales revenue of \$55,211,443 for the financial year ended 30 June 2019, compared to \$51,900,433 for the corresponding period of 2018. This was mainly achieved through the increase of yield volume and the growth of major produce's selling prices. In order to achieve a better yield rate and to prevent the farmland from flood, the Group further expanded its investment in production facilities. During the first half year, the Group has spent \$6.20 million on 33 new vegetable green houses and a new irrigating system, which led to a steady increase in vegetable yield volume and an increase in sales revenue in the remaining period of this financial year.

The gross margin rate increased from 14.15% for the year 2018 to 15.64% for the year 2019. This was mainly because the Group intentionally adjusted its sales and production structure to give priority to high margin produce. The percentage of fresh produce sales was 97% of the total sales for the year 2019, compared to 96% for the prior year, while the gross margin of fresh produce (i.e. 15.86%) was much higher than that of agriculture supplies (i.e. 7.90%). Also, high margin produce, such as tomatoes, cucumbers and peppers, takes up more than 30% of the Group's total sales and their selling prices continuously rose during the year, or more specifically by more than 10%.

The Group achieved a net profit of \$3,955,077 in the current financial year, representing a decrease of \$1,336,993 compared to the prior period. 260,000 square meters of the Group's farmland has weathered an unexpected flood due to heavy rainfall. The flood has destroyed unmaturing turnip, green houses and other production facilities thereon. The Group has written off the unmaturing turnip of \$243,250 and recognised maintenance costs of \$3,118,527 relating to the repair of green houses and other production facilities destroyed by the flood. Without considering the direct impact of this non-recurring event, the Group's net profit for the year reached \$7,316,854, representing a growth of \$1,336,993 (i.e. 22%) compared to previous corresponding period. The increase was mainly contributed by the sales growth and the increase of gross margin rate.

In June 2019, the Group invested RMB 54 million (about \$11 million) to establish Qingzhou Breeding and owns a 70% stake in this newly established company. Qingzhou Breeding is a breeding enterprise mainly engaged in poultry, aquatic products, livestock breeding and sales. As at 30 June 2019, Qingzhou Breeding has not yet contributed any sales revenue to the Group, while it has built 50 breeding greenhouses with a cost of RMB 48 million (about \$9.84 million) and purchased production material for duck breeding of RMB 6 million (about \$1.25 million). The establishment of Qingzhou Breeding will enhance the synergy between the current business of agriculture production and the new business of livestock breeding in terms of product offering and production chains.

14. Review of operations (continued)

At present, Chinese government shows a strong intention to stimulate agricultural industry and has published a series of favourable policies for agriculture companies. In this context, the Group currently has more business pipelines in plan, which will lead to a further growth in the future.

15. Auditing Status

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

16. Audit disputes or qualifications

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