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Jiajiafu Modern Agriculture

JIAJIAFU MODERN AGRICULTURE LIMITED
ABN 82 607 739 159

Replacement Prospectus

For the offer of 17,000,000 New Shares at an Offer Price of A\$0.30 to raise A\$5,100,000 with up to A\$3,900,000 of oversubscriptions and the admission to the Official List of Australian Securities Exchange

Important notice

This is an important document, which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

Lead Manager and
Corporate Adviser

AGC Capital Securities Pty Ltd



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IMPORTANT INFORMATION

Offer

The Offer contained in this Prospectus is an invitation to acquire Shares in Jiajiafu Modern Agriculture Limited (ABN 82 607 739 159).

Lodgement and listing

This Prospectus is dated 12 December 2016. A copy of this Prospectus was lodged with ASIC on 12 December 2016.

The Company has applied to ASX for admission to the Official List of ASX and for quotation of the Shares issued under this Prospectus on ASX within seven days after the date of the Original Prospectus. A copy of this Prospectus will be lodged with ASX on 12 December 2016.

This Prospectus has been issued to provide further disclosure in Section 9.2 in relation to two entities JJF holds partial interest in, Qingzhou Jiajiafu Service Co., Ltd and Qingzhou Jiajiafu Fruit and Vegetable Professional Cooperative.

Neither ASIC nor ASX or their officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry date

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Prospectus should not be construed as financial, taxation, legal or other advice.

This Prospectus is important and should, along with each of the documents incorporated by reference, be read in its entirety prior to deciding whether to invest in the Company's Shares. There are risks associated with an investment in the Shares and the Shares offered under this Prospectus must be regarded as a speculative investment. Some of the risks that should be considered are set out in Section 8 (Risk Factors) of this Prospectus. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues).

There may also be risks in addition to these that should be considered in light of your personal circumstances. If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the Shares.

No person named in this Prospectus guarantees the Company's performance or any return on investment made pursuant to this Prospectus.

No offering where offering would be illegal

This Prospectus does not constitute an Offer or invitation in any place in which, or to any

person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The distribution of this Prospectus outside Australia may be restricted by law and therefore any person who resides outside Australia and who receives this Prospectus should seek advice on and observe any such restrictions. Any person who has a registered address in any other country who receives this Prospectus may only apply for Shares where that person is able to reasonably demonstrate to the satisfaction of the Company that the person may participate in the Offer relying on a relevant exception from, or are not otherwise subject to, the lodgement, filing, registration or other requirements of any applicable securities laws in the jurisdiction in which they have a registered address.

The Company will not offer to sell, nor solicit an offer to purchase, any securities in any jurisdiction where such offer, sale or solicitation may not lawfully be made. Any failure to comply with these restrictions may constitute violation of applicable laws.

Notice to United States residents

The securities being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable State securities laws. This Prospectus does not constitute an offer or invitation to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. Any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act and applicable State securities laws.

Notice to Hong Kong residents

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

Notice to PRC residents

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph only, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or

sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

Financial Information and amounts

The "Financial Information" section in Section 6 sets out in detail the Financial Information referred to in the Prospectus. The basis of preparation of the Financial Information is set out in the "Financial Information" in Section 6. All references to FY2013, FY2014, FY2015 or 1H2016 appearing in this Prospectus are to the financial years ended 31 December 2013, 31 December 2014 or 31 December 2015, or the first half financial year ended 30 June 2016 respectively, unless otherwise indicated. Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by International Financial Reporting Standards.

The Historical Financial Information in this Prospectus should be read in conjunction with, and they are qualified by, reference to the information contained in Section 6.

The functional currency of the operating entities in the JJF Group is Chinese Yuan. The presentation currency is Australian dollars. Save as set out above, the financial amounts referred to in this Prospectus are expressed in Australian dollars unless stated otherwise. JJF has adopted the foreign currency translation accounting policy set out in Section 6. Accordingly, investors should be aware that the amounts represented in the Prospectus may change as a result of fluctuations in the exchange rates between AUD and RMB.

Disclaimer

Investors should not rely on any information which is not contained in this Prospectus in making a decision as to whether to acquire Shares in the Company under the Offer. No person is authorised by the Company, the Lead Manager and the Corporate Adviser to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, its Directors or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations and financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential",

IMPORTANT INFORMATION

“positioned”, “should”, “target”, “will”, “would” and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described under the heading “Risk factors” in Section 8.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with the ASX after the date of this Prospectus.

This Prospectus contains market data and industry forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state that the information contained in them has been obtained from sources believed to be reliable, but the Company has not independently verified the accuracy and completeness of such information.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

This Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

Exposure Period

The Corporations Act prohibits the Company from processing Applications under the Offer in the seven-day period after the lodgment of the Original Prospectus with ASIC. However, ASIC Corporations (Exposure Period) Instrument 2016/74 means that there is no additional exposure period under the Corporations Act for this Prospectus.

Electronic Prospectus

This Prospectus will also be made available in electronic form on the Company's website: www.jjfma.com/zg.html. Any references to documents included on the Company's website are for convenience only, and none of the documents or other information available on the website is incorporated by reference in this Prospectus. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of the Prospectus received electronically, or a print out of it, you should contact the Company. A paper copy of the Prospectus will be available free of charge by contacting:

Advanced Share Registry Limited (Registry)

Tel: 08 9389 8033 (within Australia)

Tel: +61 8 9389 8033 (outside Australia)

or

AGC Capital Securities Pty Ltd (Lead Manager and Corporate Adviser)

Tel: 02 80754595 (within Australia)

Tel: +61 2 80754595 (outside Australia)

Applications for Shares under this Prospectus may only be made on a printed copy of the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

Privacy

By completing an Application Form, you are providing personal information to the Company and the Registry, which is contracted by the Company to manage Applications, and consent to the collection and use of that personal information in accordance with these terms. That personal information will be collected held and used both in and outside of Australia by the Company, and the Registry on its behalf, to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company may not be able to process your Application.

Once you become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company's public share register. This information must continue to be included in the Company's public share register even if you cease to be a Shareholder.

The Company and the Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Registry for ongoing administration of the Company's public share register;
- the Lead Manager and Corporate Adviser in order to assess your Application;
- the Australian Tax Office and other government bodies as required by law;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

Under the Privacy Act 1988 (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or the Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Registry if any of the details you have provided change. In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Defined words and abbreviations

Defined terms and abbreviations used in this Prospectus are defined in the “Glossary” section in Section 10.

Time

All references to time in this Prospectus refer to Australian Eastern Standard Time unless stated otherwise.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only. Unless otherwise stated, all data contained in graphs and tables is based on information available as at the date of this Prospectus.

CHAIRMAN'S LETTER



12 December 2016

Dear Investors,

On behalf of the Board of Directors, I am pleased to invite you to become a Shareholder of Jiajiafu Modern Agriculture Limited (**JJF** or **Company**).

The Company was incorporated in Victoria, Australia on 24 August 2015 as the holding company of the Group. Its main business is operated by Qingzhou Jiajiafu Modern Agricultural Group Co., Ltd (**JJF China**), a wholly owned subsidiary of the Company.

JJF Group operates a leading agribusiness in Qingzhou City, Shandong Province, China, renowned for its vertically-integrated business model and agricultural technology innovation in relation to fruit and vegetable farming, harvesting, packing, marketing, supply and distribution. The Group's main products include fresh produce such as tomatoes, cucumbers, eggplants, chillies, radishes, potatoes and yams, and processed food products such as dandelion tea, pumpkin powder and dried persimmons.

Since the establishment of the Group, the Company has built a mature and stable, yet competitive business model, established a famous and trustworthy agribusiness locally, recruited an experienced management team and technical personnel, developed a comprehensive internal quality process and quality control system, and organised its agricultural activity in accordance with European Union and Chinese national standards on organic vegetable production processes. In the past three financial years to 31 December 2015, the Company has recorded a Compound Annual Growth Rate on revenues of 17.6%, and Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) of A\$2.2 million in FY 2015 and A\$1.9 million in 1H2016.

The Company operates in an industry that receives favourable treatment from the Chinese government in policy and tax terms. The Chinese government has released two regulatory guidance papers concerning bank loans using agricultural land use rights and farmers' residential land as security, which creates more options for agribusinesses and farmers seeking bank loans. These policies allow agribusinesses to expand the scale of their operations and improve the profitability of their businesses. Also, as the *China-Australia Free Trade Agreement* signed in December 2015 comes into effect, increased collaboration between China and Australia on the development of agricultural processes and technology, bilateral trade and economic exchanges, the Company has identified new opportunities to explore and challenges to face.

JJF's listing as a public company and the corresponding improved transparency and corporate governance will be a significant milestone in the company's development. The Listing also provides JJF a unique opportunity to sincerely welcome those investors who share our vision by becoming the first group of public Shareholders of this promising company.

This Prospectus contains detailed information about the Offer, the industry in which JJF operates and its financial and operating performance. JJF is subject to a range of risks which are fully detailed in Section 8, including but not limited to agricultural risks, risks in relation to product price variation and product and food safety. I encourage you to read this document carefully and in its entirety before making your investment decision.

On behalf of the Directors, I invite you to subscribe for Shares in the Company and I look forward to welcoming you as a Shareholder of JJF.

Yours sincerely,

A handwritten signature in black ink, consisting of stylized Chinese characters, likely '李尔凯' (Li Erkai).

Qingkai Li

01

INVESTMENT OVERVIEW



INVESTMENT OVERVIEW

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for Shares, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

1.1 Summary of the Offer

This Prospectus provides investors with the opportunity to participate in the initial public offering of New Shares in Jiajiafu Modern Agriculture Limited, a company incorporated in Victoria.

The Offer

Key Offer statistics	Minimum Subscription	Maximum Subscription
Offer Price	A\$0.30	A\$0.30
Total number of New Shares to be issued	17,000,000	30,000,000
Number of Shares held by Existing Shareholders ¹	68,000,000	68,000,000
Total number of Shares on issue at Completion of the Offer	85,000,000	98,000,000
Total cash proceeds to the Company from the Offer	A\$5,100,000	A\$9,000,000
Market capitalisation at Completion of the Offer ²	A\$25,500,000	A\$29,400,000

1. These Existing Shares may be subject to ASX escrow arrangements. See Section 9.8 for further details of these escrow arrangements.

2. Calculated as the total number of Shares on issue on Completion of the Offer multiplied by the Offer Price.

Important dates

Event	Date and time (Australian Eastern Standard Time)
Lodgement of Original Prospectus with ASIC	5 December 2016
Lodgement of this Prospectus with ASIC	12 December 2016
Opening Date	13 December 2016
Closing Date	16 February 2017
Issue of New Shares	23 February 2017
Expected dispatch of Holding Statements	24 February 2017
Shares expected to begin trading on ASX	3 March 2017

These dates are indicative only and may change. JJF reserves the right to vary the dates and times set out above subject to Corporations Act and other applicable laws. JJF reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens.

How to invest

Applications for New Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares are set out in Section 2.2 of this Prospectus and on the back of the Application Form.

Admission to the Official List of ASX

The Prospectus is also issued for the purpose of qualifying the Company for admission to the Official List of ASX. The Company will apply to ASX for listing and quotation of its Shares, including the Shares, within seven days after the date of the Prospectus.

If ASX does not grant permission for official quotation of the Shares within three months after the date of this Prospectus, or such longer period permitted by the Corporations Act, none of the Shares offered for subscription under this Prospectus will be allotted or issued and Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

1.2 Overview of JJF

Topic	Summary	For more information
Business model	JJF operates an agribusiness in Qingzhou City, Shandong Province, China, with a vertically-integrated business model and agricultural technology innovation in relation to fruit and vegetable farming, harvesting, packing, marketing, supply and distribution.	Section 4.1 to 4.3
Strengths and competitive advantages	JJF's business success is attributable to its strengths and competitive advantages: <ul style="list-style-type: none">• business operations located in an area suitable for agriculture and that receives government support and protection;• brand recognition achieved by its substantial market share;• strict adherence to national agricultural standards; and• a strong focus on R&D and intellectual property.	Section 4.3.1

Topic	Summary	For more information
Production model	<p>JJF controls over 300 hectares of arable land which is used to grow the Company's products in both greenhouses and open-air plantation sites. The Company manages all stages of the fresh produce production process, from the selection and sampling of seedlings, planting, harvesting, storage to packaging.</p> <p>Strict quality control procedures apply to ensure that the Company's products are safe for consumption, and fulfil Chinese and EU standards on organic vegetables.</p>	Section 4.3.2
Product range	JJF produces a wide range of fresh produce including cucumbers, tomatoes, eggplants and chilli peppers.	Section 4.4
Quality control	<p>JJF has a strict quality control system in place whereby:</p> <ul style="list-style-type: none"> • quality control procedures are supervised and managed by the quality control committee, which is headed by the CEO of JJF; • the circumstances of the plantation sites, including the quality of its water, amount of air flow, drainage and contamination, are monitored and maintained at all times; • all raw materials are randomly inspected and sample-tested; • pest issues are controlled using environment management strategies and physical pest prevention methods; • a product tracking system allows any complaints to be traced back to the original plantation site; • all packaging materials are inspected prior being used; • training is provided to staff on quality control standards; and • quality control procedures are regularly reviewed. 	Section 4.5
Sales channels	<p>JJF generates revenue by selling its fresh agricultural produce to wholesale retailers and major supermarkets who generally enter into annual supply contracts. JJF bears the costs of harvesting, while the wholesale retailers are responsible for weighing, loading and delivering the produce from the plantations. For sales to supermarkets, fresh produce is packaged and labelled with JJF's branding, before being delivered to the supermarket on a monthly basis using JJF's delivery trucks. JJF also engages in direct sales using rented floor spaces of retailers, such as supermarkets.</p>	Section 4.6
Storage and delivery	<p>The Company's products are stored in the Company's refrigerated storage warehouse that is kept at a constant temperature and humidity.</p> <p>For sales to wholesalers, the wholesalers are responsible for the delivery of the produce from the plantation sites. Meanwhile, products which are sold to supermarkets are delivered to stores by JJF, who will arrange for delivery trucks to deliver products once per month.</p>	Section 4.7
Research and development	<p>JJF has a strong focus on research and development and has developed various production processes by itself or in collaboration with the China Agricultural University, including:</p> <ul style="list-style-type: none"> • a pest control method utilising ozone gas and natural minerals • a dandelion tea production process; • pumpkin-based food products research; • carrot-based food products research; and • food flavouring and spices research, development and commercialisation. 	Section 4.8
Facilities and assets	<p>The Company's operations are conducted over its ecological agricultural park with approximately 304.5 hectares of plantation sites, and 407 greenhouses. The Company also has its processing facilities for the cleaning, packaging and storage of its products.</p> <p>The management and logistical planning of JJF's business takes place at JJF's head office in Qingzhou city.</p>	Section 4.9
Head office and employees	JJF China has 69 employees, 10 of whom are senior management of the Company.	Section 4.10
Branding and intellectual property	<p>The Company owns registered trademarks, or have entered into trademark licence agreements, for the logos used to market its products.</p> <p>The Company also owns a patent for the production method of dandelion tea.</p>	Section 4.11
Strategies for growth	<p>The Company has assessed the current state of the industry and plans to undertake the following:</p> <ul style="list-style-type: none"> • expansion of farming facilities and increase of human resource capabilities • fresh and processed product development • expansion of marketing, branding, sales and distribution channels • increase R&D efforts and research partnerships. 	Section 4.12

1.3 Key investment features

Feature	Description
Development opportunities for the organic agribusiness industry	The demand for quality fresh produce in China is increasing for the following reasons: <ul style="list-style-type: none"> • high population growth in China; • increases in urban population due to rapid urbanisation; • rising income levels; and • increasing per capita consumption of vegetables – according to the Chinese Food and Nutrition Development Plan Summary published by Office of the State Council in January 2014, it is expected that the annual per capita consumption of vegetables in China will rise to 140 kg in 2020.
Mature and stable, yet competitive business model	The Company has control over the planning of the separate parcels of farmland rented from farmers; this allows the Company to plan its farm layout on a larger scale. Through having a vertically integrated business model, including recruiting sales personnel to manage the sales of the Company's products in supermarkets, and the Company's own logistics system, the Company is able to deliver its products to its customers in a cost- and time-effective manner. The Company also has annual supply arrangements with major local fresh produce wholesale markets.
Experienced management and technical personnel	The Board consists of Directors who collectively have extensive management and financial expertise, including work experience in or with global accounting firms, stock exchanges, and CPA Australia qualifications. The Company's management team brings to the Company over 20 years of experience in agribusiness and corporate management, agriculture technique development, and organic fertiliser technology development.
Repute and trustworthiness as a local fresh produce brand	The Company's mission is to develop an organic agribusiness that introduces a healthier lifestyle choice to consumers. The Company has established its brand to be associated with the descriptors "organic", "green", and "non-pollution" through careful management of its corporate image by setting up dedicated sales counters in supermarkets and recruiting internal personnel to manage the sales of the Company's products.
Organic produce production processes that fulfil EU and Chinese standards	The Company's production management processes satisfy Chinese (GB/T19630.1~4-2011) and European Union ((EC)NO834/2007) standards on organic produce processes. The Company's quality control processes fulfils Chinese standards (GB/T 5009.199-2003) requiring the implementation of a rapid determination process of organophosphate and carbamate pesticide residues in vegetables.
Comprehensive process and quality control systems	The Company exercises centralised control over the various processes of production, including the supply of seedlings, supply of factors of agricultural production, technical training, quality control and sales. The Company has established a quality control process to oversee sowing and germination processes, farmland management, pest control, harvesting, processing, storage and sample inspections.
Policy support by the Chinese government	The Chinese government has released an extensive series of policies to support the country's agricultural industry. For 12 consecutive years as of 2015, the first policy document released by the Chinese central government each year relates to the agricultural industry, thus signifying the government's emphasis on the industry. These policy documents have given guidance on the protection and development of farmland, commercialising agriculture, reformed the tax regime in relation to agriculture, introduced policies to improve agriculture-related infrastructure, etc. Per Article 27 of the Law of the PRC on Enterprise Income Tax, the Company receives tax concessions as an agribusiness. In March 2016, the People's Bank of China and the relevant government departments published the Interim Measures for the Pilot Program of Obtaining Loans with the Mortgage of the Right to the Contractual Operation of Rural Land and the Interim Measures for the Pilot Program of Obtaining Loans with the Mortgage of the Farmer's Housing Property Right that expands the options for agribusinesses to obtain loans, thus allowing them greater access to funds for expansion of their businesses.

1.4 Key risk factors

Investing in Shares involves substantial risks. The key risks as listed in the table below are not exhaustive and an investment in the Company should be considered speculative. Before making an investment decision, potential investors should read the entire Prospectus. In particular, investors should give full consideration to the detailed discussion on the risks that are associated with, and which could affect the financial performance of, an investment in the Company, as set out in "Risk factors" in Section 8.

Risk factors	Summary	For more information
Agricultural Risks	The primary risk to agricultural production and operation is adverse weather conditions. Strong heat and low rainfall in the summer may cause crop damage, while low temperatures and snow storms in the winter may decrease photosynthesis and lower crop yield. JJF minimises the risk of adverse weather conditions by installing light shielding and water spraying infrastructure in response to dry, arid conditions, and artificial light heating equipment during colder conditions.	Section 8.2.1

Risk factors	Summary	For more information
Product price variation	The prices of JJF's products are affected by the supply and demand variation in the consumer market. Further, aggressive behaviour by competitors may reduce competition and result in a lowering of prices, and may decrease the overall sales volume should JJF be unable to match prices. In turn, a reduction in price may reduce the funds available for payment of dividend on Shares.	Section 8.2.2
Product and food safety risk	Most of JJF's products are perishable products and improper and/or poor handling and processing can critically affect the safety of the end products. Poor handling or storage may risk product contamination. An incident or threat of product contamination or any other type of risk to food safety may not only reduce actual quantity of safe products for supply, but also may cause considerable reputational damage to JJF and its brands from the perspective of its suppliers, customers, the general public and regulators. This may have adverse effect on JJF's revenue, profitability and growth. JJF implements strict food safety protocols to minimize this risk.	Section 8.2.3
Competition risk	JJF is subject to competition from domestic producers of vegetables and fruits products. Competitors seeking to expand operations or government intervention in the agricultural market may adversely affect JJF's competitiveness, and in turn, cause decline in revenue or profitability of JJF's business.	Section 8.2.4
Approvals, permits and licences	JJF requires certain licences and approvals to conduct their business. These licenses are granted at the discretion of the relevant PRC authorities, and the criteria for eligibility may change. If the Group is unable to meet such criteria and fails to obtain the grant or renewal of any required licenses or approvals, the business activities of the affected entity and the Group as a whole may be interrupted. The Group may be subject to penalties should business continue without such licences.	Section 8.2.5
Reputation and trademarks	The Group has registered trademarks and a patent. JJF cannot ensure that there will not be any unauthorised usage or misuse of its brand; and any such infringement of the Group's intellectual property rights in respect of its trademarks may be detrimental to the Group's reputation, lead to litigation or adversely affect financial performance.	Section 8.2.6
Reliance on key personnel	JJF's business is reliant upon the provision of high quality operational services by its senior personnel. It is also dependent on its skilled training staff and technical personnel for the successful and ongoing provision of its agricultural and business activities. Any change in the quality or quantity of these services, or an inability to attract qualified and motivated personnel to provide these services, could affect JJF's agricultural or business activities and financial performance.	Section 8.2.7
Chinese regulatory environment and associated risks	There are uncertainties and/or inconsistencies in the enforcement of existing laws and regulations in the PRC. There is a lack of established practice regarding the implementation, interpretation and enforcement of these laws. Any litigation in the PRC may be protracted and result in substantial legal costs and/or significant diversions of resources and management attention. The occurrence of one or several of these risks could have material and adverse effects on the Group's business, net assets, financial condition and operational results.	Section 8.2.8
Land title risk	According to the relevant PRC Law, all lands in the PRC are either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned while all land in the rural areas of a city or town and all rural land is collectively owned. As such, the agricultural land used by JJF is not owned by JJF. Whilst JJF has entered into land tenure agreements, these agreement have no been approved by the local government. As such there is a legal risk that these agreements may not be enforceable. Furthermore, there is a risk that at the end of the relevant tenure of the land that JJF may not be able to renew that tenure and therefore it will be unable to continue to continue its operations.	Section 8.2.9
Social security risk and housing provident fund	Pursuant to Chinese laws, the employees and employers are required to make contributions to social security insurance and housing fund. If an employer fails to deposit registration with the relevant authorities or make the contributions, the relevant authority may issue penalties. As at the date of this Prospectus, JJF China has not yet paid social security insurance and housing provident fund for a portion of its employees. The controller of JJF China, Mr Qingkai Li, has provided a written confirmation letter that he will personally bear the risk of fines or orders to comply, such that the business of JJF China and its operations will not be affected.	Section 8.2.10
Lack of insurance coverage	In the PRC it is not customary for businesses to take out extensive insurance protection. Additionally, insurance companies in PRC offer limited commercial insurance products for the agricultural sector or only offer them on unattractive terms. Aside from compulsory vehicle insurance and public liability insurance for some of its employees, JJF has not taken out any other insurance policies covering risks to its business premises. Any uninsured loss may have material adverse effects on JJF's financial results.	Section 8.2.11

Risk factors	Summary	For more information
Risk of significant control by Existing Shareholders	Immediately after the Offer, the Existing Shareholders will beneficially own approximately a significant portion of the Company's issued capital. As a result, these Existing Shareholders, if they act together, would be able to exert a significant degree of influence over the Company's management affairs.	Section 8.2.12
Operating risks	Any operational failures or difficulties encountered in harvest, difficulties in commissioning and operating plant and equipment, mechanical failure or factory plant breakdown, and industrial and environmental accidents may result in decline in revenue, profitability of JJF's business or the ability to pay dividends.	Section 8.2.13
Foreign exchange risks	The Group's profitability will be generated in China. Economic or political instability in China (which may be caused by a number of unforeseeable events) may have an adverse effect on the Company.	Section 8.2.14
Liquidity of Shares	Around 36.63% to 42.23% of the Shares held indirectly by Mr Qingkai Li and Mr Wenyuan Zhao may be classified by ASX as restricted securities. The absence of any sale of Shares by the Existing Shareholders during the escrow period may cause, or at least contribute to, limited liquidity in the market for the Shares.	Section 8.3.2

1.5 Key Financial information

The following table presents a summary of the Group's financial data which has been derived from the Financial Information set out in Section 6 and should be read together with the Investigating Accountant's Report on the Financial Information as set out in Section 7.

This Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards adopted by the Australian Accounting Standards Board which are consistent with International Financial Reporting Standards issued by the International Accounting Standards Board, and the accounting policies of the Company.

The summarised financial data should be read together with the management discussion and analysis of the Financial Information in Section 6.

Historical consolidated Statements of Profit or Loss and Other Comprehensive Income

Set out below is a summary of JJF China Group's historical consolidated Statements of Profit or Loss and Other Comprehensive Income for FY2013, FY2014, FY2015 and 1H2016.

A\$000	Historical			
	FY2013 Audited	FY2014 Audited	FY2015 Audited	1H2016 Audited
Revenue from continuing operations	20,337	22,353	28,100	17,539
Cost of Sales (COS)	(18,059)	(19,700)	(24,049)	(15,086)
Gross profit	2,278	2,653	4,051	2,453
Share of profits from interests in associates	–	44	65	38
Sales and marketing expenses	(212)	(314)	(548)	(236)
Administration expenses	(99)	(321)	(1,355)	(324)
Other expenses	(1)	(0)	(4)	(1)
EBITDA	1,966	2,062	2,210	1,930
Depreciation	(500)	(835)	(1,043)	(996)
EBIT	1,467	1,227	1,167	934
Net interest expense	(40)	(61)	(73)	(215)
Net profit before tax	1,427	1,166	1,094	718
Taxation expense	–	–	–	–
Net profit after tax from continuing operations	1,427	1,166	1,094	718
Profit for the period from discontinued operations	–	80	759	–
Profit for the period	1,427	1,246	1,853	718
Other comprehensive income, net of tax	821	1,419	235	(1,289)
Total comprehensive income	2,247	2,665	2,088	(571)

1.6 Directors and key management

JJF has assembled a well-credentialed and balanced Board and a management team with extensive experience in the agricultural business and listed companies' management.

Name and position	Experience
Qingkai Li Executive Chairman, Founder Chief Executive Officer	<p>Mr Li possesses extensive skills and experience in rural agricultural development and championing agricultural development. As the PRC National People's Congress representative of Qingzhou City, Mr Li is dedicated to agricultural technology development and promoting food safety.</p> <p>Mr Li has served public interest in his position at the Qingzhou City Public Security Bureau from 1991 to 2008. From 2008 to 2010, Mr Li was the Chairman of the Qinzhou Green Plantation Cooperative, and in 2010 he established the Qingzhou Jiajiafu Fruit and Vegetable Professional Cooperative, of which he acted as the Chairman. In 2011, he founded Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd.</p> <p>Combining his skills and expertise in agriculture and business development with his public interests experience, Mr Li contributes towards development of the national vegetable safety and quality standards by the Chinese Ministry of Agriculture and innovative developments in national youth's food safety technology. Mr Li is a participant in a number of pilot programs, including the Shandong province financial cooperative, land management initiatives supported by state loans and standardisation of agricultural industrial development.</p>
Peter (Yap Ting) Wong Non-Executive Director	<p>A Chartered Accountant by profession, Mr Wong is a 30-year veteran in the financial services industry. He has gained extensive experience across a wide spectrum of business functions such as audit, taxation, finance, operations, technology, HR, risk management, compliance and control.</p> <p>Mr Wong started his career in the accounting profession in 1984 and trained with two major international accounting firms: Deloitte and Price Waterhouse Coopers. He subsequently joined several large corporations where he took up senior positions managing large portfolios of functions and people. The companies he has worked with include Citibank, Hong Leong Group (Malaysia), Hong Kong Stock Exchange and Hong Kong Telecom. Before coming to Australia, Mr Wong was in Shanghai, China where he spent 3 years with Citibank China and another 2 years with Shanghai Pudong Development Bank, a strategic partner of Citibank. He has travelled extensively within China conducting seminars and giving advice to the staff and management of the Chinese bank.</p> <p>Having worked in England, Hong Kong, Malaysia, China and Australia, Mr Wong is familiar with the different financial and business practices across Asia. He is well equipped to advise clients on cross-border trade and investment. He focuses on providing financial, taxation and investment advice to Australian and Asian enterprises wanting to invest or do business in the Asia-Pacific region.</p>
Zhiguo Li Non-Executive Director	<p>Mr. Li has extensive experiences in financial services, trade and investment sectors.</p> <p>He worked with AIMS financial groups as a director for China market and successfully facilitated two companies' listings on Sydney Stock Exchange (SSX) which are Sane Building Materials Technology and Australia Santia Jinnai Culture Development. He was also in an important role involving SIV fund and REIT matters.</p> <p>Prior to that Mr. Li has worked with Australian Trade Commission based in China for 5 years. His role crosses all trade and investment areas between China and Australia. He helped many Australian companies export their products and services to China and also facilitated Chinese companies' investments in Australia. He co-organised and facilitated many high level government official delegations and trade missions.</p> <p>Mr Li finished his Bachelor of Science in Beijing Jiaotong University in China and his master degree in Wollongong University. He is currently undertaking his PhD degree in UTS on a part-time basis.</p>
Nicholas Ong Non-Executive Director and Company Secretary	<p>Mr Ong was a Principal Adviser at the Australian Securities Exchange in Perth and brings 12 years' experience in listing rules compliance and corporate governance. He has overseen the admission of over 100 companies to the official list of the ASX.</p> <p>Mr Ong now runs a boutique corporate advisory firm in Perth, Western Australia. He is a member of the Governance Institute of Australia and holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia.</p> <p>Mr Ong is currently a director of Excelsior Gold Limited, Segue Resources Limited and Co Assets Limited and is company secretary to three listed companies.</p>
Wenyuan Zhao Executive Director	<p>Mr. Zhao has experience in management of the financial and cross-border trading-related aspects of businesses. He has 10 years experience working in the Guard Bureau of Guangdong Province. In 2012, Mr. Zhao was employed by Guangdong Asset Management Limited in Guangdong, China. Since 2013, Mr. Zhao has been employed as the deputy director of the office at the Kingold Group.</p> <p>Mr. Zhao also has experience in the agribusiness industry. He is a member of the Shandong Fresh Produce Association, a director of Shandong Association of Agricultural Logistics, an executive director of the Weifang Fresh Produce Association, and the Vice Chairman of the Qingzhou Fresh Produce Association.</p>
Susan Zhang Chief Financial Officer	<p>Ms Zhang is a qualified CPA and has been working in public practices and corporate environment over sixteen years in Australia.</p> <p>Ms Zhang holds Bachelor of Law, Master of Law from East China Normal University in China and a Master of Practising Accounting from Monash University in Australia.</p> <p>Having worked in a couple of public practices, ANZ bank and Blackrock in Australia from 2001 to 2013, she has built extensive ties with government, finance, enterprises, laws and medias, and gained rich experience in financial management, accounting and tax advisory.</p> <p>Ms Zhang now runs Reising Consulting Services Pty Ltd, a local accounting and taxation firm based in Sydney since 2013. She is familiar with accounting policies and tax law and devoting herself to provide professional tax planning, business advisory and financial management services to Australian enterprises.</p>

1.7 Use of Funds

The Company expects to receive proceeds of A\$5,100,000 at Minimum Subscription and of A\$9,000,000 at Maximum Subscription from the issue of Shares at the Offer Price of A\$0.30 per Share. The table below sets out the proposed use of funds based on the Minimum Subscription and Maximum Subscription (**Total Funds**). The amounts represented below may change as a result of fluctuations in the exchange rate.

Use of funds	Minimum Subscriptions		Maximum Subscriptions	
	Amount (A\$)	% of Total Funds	Amount (A\$)	% of Total Funds
Expansion of plantation	1,791,129	35.12	3,252,153	36.14
Investment into processed goods production	1,343,347	26.34	2,439,115	27.10
Investment into fresh produce and red wine importing and online sales	1,343,347	26.34	2,439,115	27.10
Costs of the Offer to be paid out of proceeds raised ¹	622,177	12.20	869,617	9.66
Total	5,100,000	100.00	9,000,000	100.00

1. Refer to Section 5.2.2 for more information about the amounts and other expenses to be paid by the Company (or one of its subsidiaries) out of funds raised under the Offer. Further information on the costs of the Offer is set out in Section 9.10.

• Expansion of plantation

JJF plans to expand its total plantation area by approximately 133 hectares by the end of 2017 through entering into leases with local farmers, as well as to construct or acquire 80 hectares of additional greenhouses in order to increase yield volume.

• Investment into processed goods production

As JJF is still in the early stages of its processed goods production, it still requires additional capital funding to set up the required facilities and equipment. The research on the production on dandelion tea and pumpkin powder products conducted by JJF with China Agricultural University has already concluded, and JJF plans to commence mass production of these products in 2017.

• Investment into fresh produce and red wine importing and exporting and online sales

JJF plans to explore the opportunities in importing Australian wine and dairy products for sale in China over e-commerce platforms and in supermarket chains, as well as exporting the Company's fresh produce to Australia through cooperating with major wholesale distributors. The Company plans to set up online stores on platforms such as Taobao Nongcun/Xiangtian (spin-off of Taobao that services customers in rural areas).

The proposed use of proceeds described above represents the Company's current intentions based upon the present plans and business conditions. The amounts and timing of the actual expenditures may vary significantly and will depend upon numerous factors, including the timing and success of the Company's development efforts.

1.8 Capital structure following the offer

The ownership structure of JJF when the Offer has been completed will be as follows:

Shareholders	Minimum Subscriptions		Maximum Subscriptions		Class of Shares
	Number of Shares	%	Number of Shares	%	
JuXin Holding Limited ¹	40,653,563	47.83	40,653,563	41.48	Ordinary
	14,380,982	16.92	14,380,982	14.67	Class A
JianHao Holding Limited	5,368,754	6.32	5,368,754	5.48	Ordinary
ZhanPeng Holding Limited	4,838,194	5.69	4,838,194	4.94	Ordinary
Zhang Teng Bo Run Investment Ltd ²	258,507	0.30	258,507	0.26	Ordinary
Butterfly Wings 1501 Limited ²	2,500,000	2.94	2,500,000	2.55	Ordinary
Shares on issue at date of Prospectus	68,000,000	80.00	68,000,000	69.39	
Shares offered under this Prospectus	17,000,000	20.00	30,000,000	30.61	
Total	85,000,000	100.00	98,000,000	100.00	

1. Mr Qingkai Li currently holds 42.27% and Mr Wenyuan Zhao holds 22.954% of the ordinary shares in JuXin Holding Limited. Following completion of the Offer, 26.13% of all ordinary shares held by JuXin Holdings Limited, being 14,308,982, be varied and converted into a new share class A. For further details regarding the share conversion and rights attached to the new share class, please see Section 9.4.

2. Shares held by Zhang Teng Bo Run Investment Ltd and Butterfly Wings 1501 Limited were issued in consideration of the corporate advisory services provided by AGC Capital Securities Pty Ltd.

1.9 Answers to key questions

Topic	Summary	More information
Who is the issuer of this Prospectus?	Jiajiafu Modern Agriculture Limited, a company incorporated in Victoria.	Section 1.1
What is being offered?	Pursuant to the Offer, the Company invites Applications for 17,000,000 Shares with the right to accept oversubscriptions up to 13,000,000 additional Shares at an Offer Price of A\$0.30 to raise up to A\$9,000,000.	Section 2.1
What is the Offer Price?	The Offer Price is A\$0.30 per Share.	Section 2.1
Is the Offer underwritten?	The Offer is not underwritten.	
What are the key dates of the Offer?	The Offer closes on 16 February 2017. The Shares are expected to be allotted on 23 February 2017. The Holding Statements are expected to be dispatched on 24 February 2017. The Shares are expected to commence trading on ASX on 3 March 2017.	Section 1.1
What is the amount to be raised under the Offer?	JJF is offering 17,000,000 Shares with an oversubscription up to 13,000,000 Shares to raise up to A\$9,000,000 before costs of the Offer.	Section 1.1
What is the Maximum Subscription available under the Offer?	JJF is offering a Maximum Subscription of 30,000,000 Shares to raise up to A\$9,000,000.	Section 1.1
What is the Minimum Subscription available under the Offer?	JJF is offering a Minimum Subscription of 17,000,000 Shares to raise A\$5,100,000. If the Minimum Subscription amount is not raised then JJF will not proceed with the Offer and will repay Application Monies received (without interest).	Section 1.1
What will the market capitalisation of the Company be upon Listing on ASX?	Based on the Offer Price of A\$0.30 per Share, the market capitalisation is expected to be A\$25,500,000 if the Minimum Subscription of 17,000,000 Shares is reached, and A\$29,400,000 if the Maximum Subscription of 30,000,000 Shares is reached.	Section 1.1
What are the significant tax implications of investing in the Company?	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.14
What are the costs of the Offer payable by the Company?	The Company's costs of the Offer are estimated to total approximately A\$3,213,442 (exclusive of tax) based on the Maximum Subscription amount.	Section 9.10
How do I apply for Shares?	You can apply for Shares by submitting a valid Application Form contained within or accompanying this Prospectus (including the electronic version of the Prospectus) in accordance with the instructions contained within.	Section 2.2
What is the allocation policy?	The Company will determine the basis for the allocation of Shares.	Section 2.3
When will I receive confirmation that my Application has been successful?	Holding Statements confirming Applicants' allocations under the Offer are expected to be dispatched to Shareholders on 24 February 2017.	Section 1.1
Why is the admission of the Company to the Official List of ASX being sought?	The Company seeks to be listed on the ASX for the following reasons: <ul style="list-style-type: none"> • being listed on the ASX, an internationally recognised securities exchange, allows the Company to receive recognition from the global capital market. This allows the Company to explore further opportunities in cross-border importing and exporting, global acquisition and foreign capital raising, and for the Company to benefit from foreign resources; • Australia is a country known for its strict laws and regulations on food safety. Being listed on the ASX improves the reputation of the Company as an agribusiness whose products are clean, healthy and safe, locally and in Australia; • as the China-Australia Free Trade Agreement comes into effect, trading activities between China and Australia have become more frequent. As such the Australian market has gained more awareness of the benefits that trading with Chinese corporations can bring. Thus, the Company believes that its listing on the ASX will be well-received by Australian investors and the general public. This will also generate promotional attention to the Company's Chinese products in Australia; • to increase the liquidity of the Company's Shares, and to invite external and foreign investors to take part and benefit in the growth of the Company. 	

1.10 Questions or further information

If you have queries in relation to this Prospectus, including how to complete the Application Form or how to obtain additional copies, then you can:

- contact the Offer Information Line on 02 8075 4595 (for Australian investors) or +86 536 323 6698 (for international investors) open from 8.30am until 5.00pm (AEST) Monday to Friday until Completion of the Offer;
- visit www.jjfma.com/zg.html to download and print an electronic copy of the Prospectus. You may only download an electronic copy of the Prospectus if you are a resident of Australia and access the website from within Australia.

If you are unclear in relation to any matter or are uncertain as to whether JJF is a suitable investment for you, then you should seek professional advice from your stockbroker, accountant, financial adviser, lawyer or other professional adviser.



A photograph of an irrigation system in operation over a field of green crops. The system consists of a main horizontal pipe at the top with several vertical riser pipes leading to nozzles that spray water. The water droplets are captured in mid-air, creating a misty effect. The background shows a clear blue sky and a distant horizon. The foreground is filled with dense, vibrant green foliage.

02

DETAILS OF
THE OFFER

DETAILS OF THE OFFER

2.1 The Offer

JJF is seeking to raise A\$5,100,000 with an oversubscription amount of A\$3,900,000 through the issue of up to 30,000,000 Shares under the Offer. The Offer is a general public offer. The allocation of Shares between the Applicants is determined by JJF at its absolute discretion.

The Offer is not underwritten.

A Minimum Subscription amount of A\$5,100,000, representing 17,000,000 Shares at the Offer Price of A\$0.30 per Share, is required under the Offer. The Offer will not proceed and all Applications and associated Application Monies will be returned to Applicants (without interest), unless the Minimum Subscription amount of A\$5,100,000 is raised under the Offer. The Company reserves the right not to proceed with the Offer or any part of it at any time before allotment of Shares to Applicants under the Offer.

New Shares will be issued as fully paid Shares and when issued will rank equally with the existing Shares on issue.

2.2 How to apply for Shares under the Offer

2.2.1 Completing the Application Form

To participate in the Offer, you must complete the Application Form attached to, or accompanying this Prospectus. The Application Form contains detailed instructions on how to complete the form.

Once your Application Form is completed, please send your Application Form and cheque or bank draft for the Application Monies to the Registry at the address set out below:

Mailing Address	Hand Delivery
Jiajiafu Modern Agriculture Limited Offer C/- Advanced Share Registry Limited 110 Stirling Highway Nedlands WA 6009	Jiajiafu Modern Agriculture Limited Offer C/- Advanced Share Registry Limited 110 Stirling Highway Nedlands WA 6009

Cheque(s) or bank draft(s) must be:

- in Australian currency;
- drawn at an Australian branch of a financial institution;
- crossed "Not Negotiable"; and
- made payable: to "Jiajiafu Modern Agriculture Limited – Offer A/C"

If paying by cheque(s), Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s). If the amount of your cheque(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

2.2.2 Acceptance of Applications

Regardless of the method of lodgement, the Registry must receive the relevant Application by no later than the close of the Offer (unless JJF varies the dates and times).

A completed Application Form constitutes an irrevocable offer to JJF to subscribe for Shares on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus), and as set out in the Application Form.

JJF reserves the right to:

- reject any Application, including Applications that have not been correctly completed or are accompanied by payments that are dishonoured;
- accept late Applications received after the close of the Offer;
- allocate to any Applicant a lesser number of Shares than that for which any Applicant applied; and
- waive or correct any errors made by an Applicant in their Application.

2.2.3 Withdrawal or early close of the Offer

The Company reserves the right to withdraw the Offer at any time before the issue of Shares to Successful Applicants. If the Offer is withdrawn, then Application Monies will be refunded. No interest will be paid on any Application Money refunded as a result of the withdrawal of the Offer or otherwise. The Company will retain any interest, which accrues on Application Monies.

The Company reserves the right to close the Offer early.

2.2.4 Brokerage, commission and stamp duty

You do not have to pay brokerage, commission or stamp duty if you acquire Shares under the Offer. Fees are payable, in relation to the Offer, to AGC Capital Securities Pty Ltd, the Lead Manager and Corporate Adviser to the Company. Details are set out in "Interests of advisers" in Section 5.2.2. These fees will be paid out of the proceeds of the Offer.

2.3 Allocation of Shares

The acceptance of Applications and the allocation of Shares are at the discretion of the Company. In consideration for the Directors agreeing to consider an Applicant's Application, the Applicant agrees its Application is an irrevocable offer, which cannot be withdrawn. The Company reserves the right to reject any Application and to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies. No Applicant under the Offer has any assurance of being allocated all or any Shares applied for.

2.4 Application Monies

All Application Monies will be held in a special purpose trust account until Shares are issued to Successful Applicants.

Application Monies will be refunded (in full or in part) if:

- an Application is rejected;
- an Application is subject to scale-back;
- the Offer is withdrawn or cancelled;
- the Minimum Subscription is not met; or
- permission for quotation of the Shares is not granted within three (3) months after the date of this Prospectus or such longer time as permitted by the Corporations Act.

No interest will be paid on any Application Monies that are refunded. After the Listing, or if Listing does not occur, the Company will retain any interest earned on Application Monies. Refund cheques will be sent after the close of the Offer or as otherwise applicable under the circumstances outlined above.

2.5 ASX Listing

The Company will, within seven days after the date of this Prospectus, apply for admission to the official list of ASX and for official quotation on ASX of the Shares offered under this Prospectus. Trading of Shares on ASX is expected to commence on 3 March 2017.

JJF will apply to participate in the Clearing House Electronic Sub-register System (**CHES**), operated by ASX Settlement Pty Ltd (a wholly owned subsidiary of the ASX), in accordance with the Listing Rules and ASX Settlement Operating Rules. On admission to CHES, JJF will operate an electronic issuer-sponsored sub-register and an electronic CHES sub-register. The two sub-registers together will make up the principal register of securities. Under CHES, JJF will not issue share certificates to Successful Applicants following allotment, JJF will provide each Shareholder whose address is in Australia with a Holding Statement (similar to a bank account statement) which sets out the number of Shares allotted to the Shareholder under this Prospectus. If applicable, the Holding Statement will also advise Shareholders of their Holder Identification Number or Sponsoring Issuer Number. If a shareholding changes during a month, the Shareholder will receive a statement at the end of that month. Shareholders may also request statements at any other time (although JJF may charge an administration fee). It is the responsibility of Applicants to determine their allocation prior to the trading of the Shares. Applicants who sell Shares before they receive notice of their allocation do so at their own risk.

It is expected that the initial Holding Statements will be despatched by standard post on 23 February 2017 and that trading of Shares on a normal settlement basis will commence on 3 March 2017. If you apply, then it is your responsibility to determine your allocation before you trade in Shares. If you trade in Shares before you receive your initial Holding Statement, then you do so at your own risk.

The fact that ASX may agree to grant Official Quotation to any Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered. ASX takes no responsibility for the contents of this Prospectus.

If permission for quotation of the Shares is not granted within 3 months after the date of this Prospectus, Application Monies will be refunded without interest as soon as practicable.

2.6 Tax implications of investing in the Company

The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. A general summary of the tax implications of investing in the Company is contained in Section 9.14.

2.7 Foreign investors

This Prospectus and the Offer do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

2.7.1 PRC residents

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

2.7.2 Hong Kong residents

This document has not been, and will not be, registered as a prospectus under the Hong Kong Companies Ordinance, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the

Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

2.7.3 United States residents

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.



03

INDUSTRY
OVERVIEW



Independent Industry Report on the Organic Vegetable Market in China

Introduction

Jiajiafu Modern Agriculture Limited (JIF or Company), through its wholly-owned subsidiary Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd (**JIF China**) which is based in Shandong province, China, grows and supplies organic vegetables in the Chinese market, particularly in Shandong province. JIF is proposing to undertake an Initial Public Offering (**IPO**) on the Australian Securities Exchange (**ASX**), and has commissioned an independent industry report from Frost & Sullivan for inclusion in the prospectus.

Frost & Sullivan is an independent industry research and consulting firm operating in over 40 countries globally. Founded in New York in 1961, Frost & Sullivan now employs over 1,800 staff. Frost & Sullivan has undertaken a number of market studies in the agriculture and food processing sectors on behalf of market participants and financial institutions, as well as producing a number of multi-client reports on the agriculture and food industries.

In undertaking this assessment, Frost & Sullivan has relied on secondary information derived from recognised public sources. The research was undertaken in the month of February 2016. All effort has been made by Frost & Sullivan to ensure that information in this report is accurate and appropriate at the time of writing. Conclusions, and assumptions attached to those conclusions, are based on Frost & Sullivan's investigations and analyses of the facts as they are known as at February 2016 and Frost & Sullivan is of the opinion that the conclusions and underlying assumptions are reasonable.

The exchange rate used in this report is RMB 1 = A\$0.21.

Company Overview and Business Model

In operation since 2011, JIF is amongst the longest operating organic farms in China. JIF has a long term lease over its ecological agriculture park, which since 2015, is independently managed. This ecological park houses approximately 304.5 hectares of plantation sites, where all of JIF's fresh produce range are grown. JIF supplies organic vegetables, such as aubergine, cucumber, zucchini, potato, pepper, yardlong beans, etc. to the domestic market through distributors. The Company's addressable market is the whole Chinese domestic market, with a strong wholesalers and supermarkets presence throughout the whole of Shandong province. JIF China holds European organic certification, ECOCERT, CNAS (Certification and Accreditation Administration of China) Organic Foods Certification and CHTC Beijing Continental Hengtong Certification - Organic Product Certification for a variety of vegetables.

Definitions

The following definitions have been used in this report.

Organic foods: Foods that are free of any synthetic or chemical pesticides, herbicides, fertilisers, and industrial solvents and are completely free of Genetically Modified Organisms (**GMO**).

Organic farming: Unlike conventional agricultural practices, organic farming employs natural fertilisers, such as manure or compost, to feed soil and plants, instead of chemical fertilisers. Instead of insecticides to suppress pests, organic farmers use beneficial insects and birds, disruption or traps. Sophisticated crop rotation practices help maintain soil fertility at desirable levels.

The benefits of organic farming are broadly two-fold:

- Organic farming helps safeguard the environment and conserve biodiversity by protecting beneficial pests and animals (unlike conventional farming, which uses pesticides and insecticides that compromise soil fertility and destroy beneficial

<i>Auckland</i>	<i>Bangalore</i>	<i>Bangkok</i>	<i>Beijing</i>	<i>Bogota</i>	<i>Buenos Aires</i>	<i>Cape Town</i>	<i>Chennai</i>	<i>Delhi</i>	<i>Dubai</i>
<i>Frankfurt</i>	<i>Kolkata</i>	<i>Kuala Lumpur</i>	<i>London</i>	<i>Manhattan</i>	<i>Melbourne</i>	<i>Mexico City</i>	<i>Mumbai</i>	<i>New York</i>	<i>Oxford</i>
<i>Palo Alto</i>	<i>Paris</i>	<i>San Antonio</i>	<i>Sao Paulo</i>	<i>Seoul</i>	<i>Shanghai</i>	<i>Singapore</i>	<i>Sydney</i>	<i>Tokyo</i>	<i>Toronto</i>

pests). Organic farming contributes least to global warming by retaining or trapping carbon inside the soil rather than letting it out in the form of greenhouse gases, thereby preserving soil fertility and protecting the environment. For example, trials in eastern rural China¹ have shown that replacing chemical fertiliser with organic manure reduced greenhouse gas emissions, improved soil fertility and raised yields; reversing the site from being a carbon source to becoming a carbon sink.

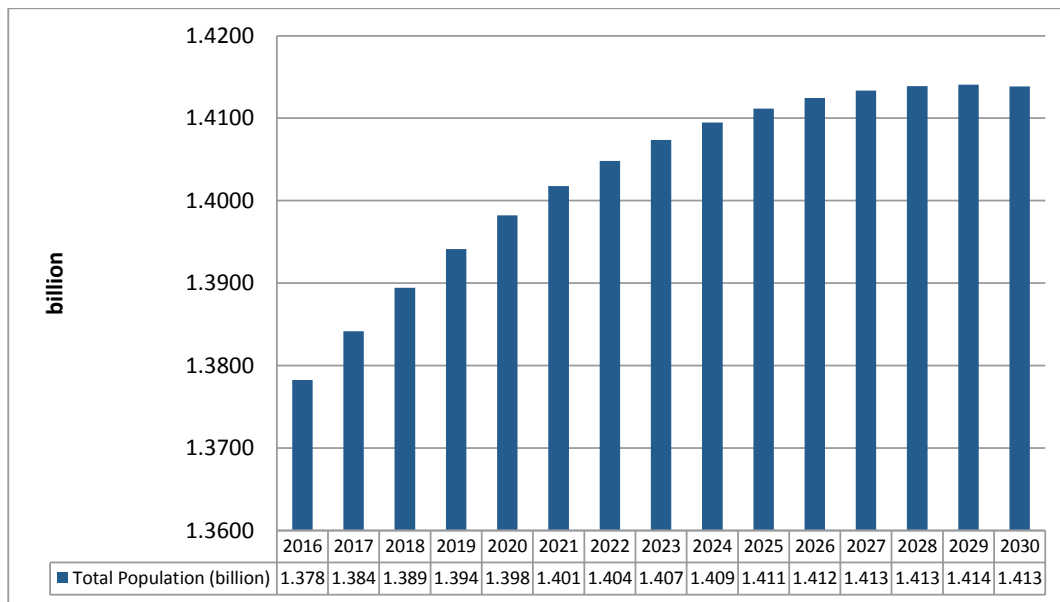
- From a human health point of view, organic farming is also considered safer and healthier than conventional farming due to the reduced use of pesticides and herbicides that usually adhere to the produce. Pesticides have been linked to a range of harmful effects, ranging from headaches to serious health problems, such as compromised immunity and reproduction, disruption of the nervous system and cancer.²

Vegetable Consumption in China

Vegetable consumption in China totaled 316 million tonnes in 2014, with annual growth over 5% over the period 2009-14.³ Over this same period, China’s total population grew at an annual rate of just under 0.5%.⁴ This suggests that vegetable consumption is increasing around ten times the rate of the overall population, indicating significant growth in per capita vegetable consumption.

In 2015, China’s mainland population totaled 1,374.62 million (excluding residents in Hong Kong SAR, Macao SAR, Taiwan Province).⁵ This was an increase of 6.80 million over the previous year.⁶ Figure 1 shows the total population growth forecast for China over the period 2016 to 2030,⁷ which will help sustain vegetable consumption growth; thus increasing the total addressable market for organic vegetables.

Figure 1: Total Population, China, 2016 to 2030



Source: Population estimates and projections, The World Bank

¹ Haitao Liu, J.L., Xiao Li, Yanhai Zheng, Sufei Feng, Gaoming Jiang. 2015. Mitigating greenhouse gas emissions through replacement of chemical fertilizer with organic manure in a temperate farmland. Science Bulletin, 60(6), 598-606.

² World Health Organization, <http://www.who.int/features/qa/87/en/>

³ Euromonitor, Consumption of Fruits and Vegetables: Global and Asian Perspective, <http://www.slideshare.net/Euromonitor/consumption-of-fruits-and-vegetables-global-and-asian-perspective>

⁴ National Bureau of Statistics of China

⁵ National Bureau of Statistics of China, China’s Economy Realized a Moderate but Stable and Sound Growth in 2015, 19 January, 2016, http://www.stats.gov.cn/english/PressRelease/201601/t20160119_1306072.html

⁶ Ibid

⁷ Population estimates and projections, The World Bank

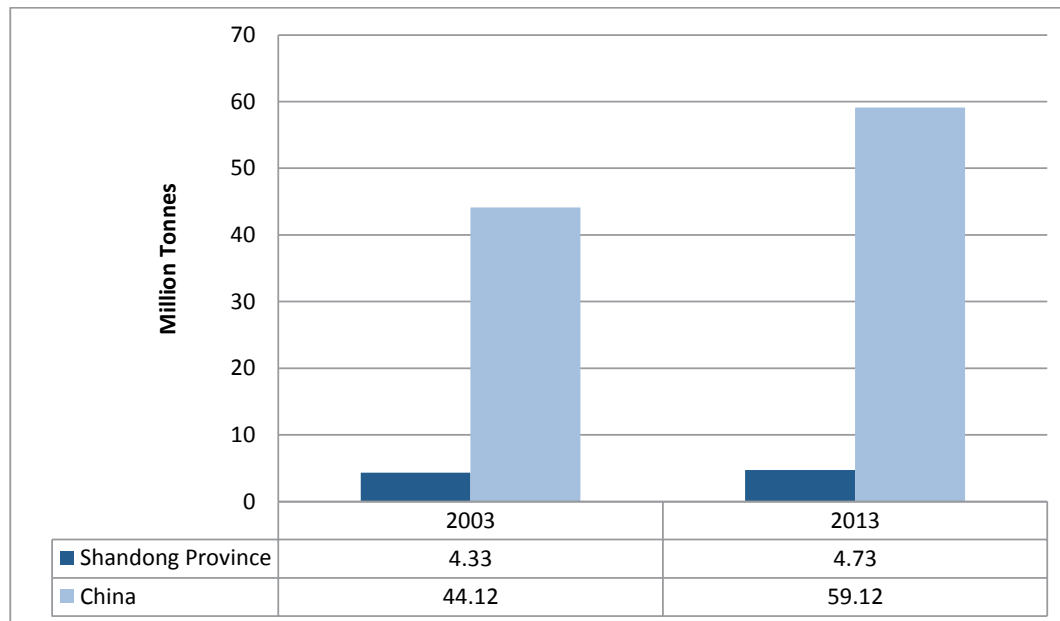
Market Drivers for Organic Food in China

There are a number of key trends that are helping to stimulate growth of the organic food sector in China. These are discussed below:

Food safety concerns

Conventional vegetable production in China is characterised by the high use of fertilisers and pesticides. This has been the legacy of decades of fertiliser and pesticide subsidies, inadequate regulation and the success of intensive agriculture in meeting the massive domestic demand for food. As a result, total chemical fertiliser consumption in China rose from 44.12 million tonnes in 2003 to 59.12 million tonnes in 2013.⁸ Figure 2 shows the growth in chemical fertiliser consumption in Shandong and across the whole country, based on figures for 2003 and 2013.

Figure 2: Chemical Fertiliser Consumption, Shandong and China, Million Tonnes, 2003 and 2013



Source: China Statistical Yearbook, 2004 and 2014, National Bureau of Statistics of China

Common practices to protect against the harmful effects of pesticide residue in vegetables include rinsing the vegetables thoroughly under running water or soaking them in water (or boiling water) for a while (before disposing of the used water) and the safe disposal of vegetable peels. However, given the fact that a number of studies indicate that vegetables with excessive pesticide levels are common in China, safety concerns continue to remain. This has been aggravated by a series of high profile food scares and incidents of pollution of soil, air and water as a result of continued industrialisation and urbanisation. For example, according to a Greenpeace survey conducted in the second half of 2014, 40% of the 53 vegetable samples collected from markets in Beijing and neighboring areas contained five or more kinds of pesticide residue.⁹

Rising consumer awareness of the benefits of organic food consumption in terms of reduced risk of food-borne illness and improved nutritive value, government initiatives to implement its new Food Safety Law (FSL)¹⁰ and a growing middle-class population (willing to spend more to ensure food quality and safety) will drive demand for organic foods in China.

Food security

The Global Food Security Index 2015, which rates countries based on food availability, affordability, quality and safety, had China ranked at 42 amongst 109 countries that were scored (with an index score of 64.2 out of 100). This is 2.0 index points

⁸ China Statistical Yearbook, 2004 and 2014, National Bureau of Statistics of China

⁹ 'Vegetables tainted by multiple pesticides', 16 Jan 2015, China Daily USA, http://usa.chinadaily.com.cn/epaper/2015-01/16/content_19336967.htm

¹⁰ The new FSL, which came into force on 1 Oct 2015, strengthens the role of the China Food and Drug Administration (CFDA) as a regulatory and supervisory body. It also requires food producers and traders to set up a food safety traceability system, with considerable penalties for breaches.

higher than the 2014 rating.¹¹ While this suggests overall progress in terms of food security, food security remains an area where there is substantial scope for improvement. This is likely to sustain overall demand for safe and high quality food produced within the country.

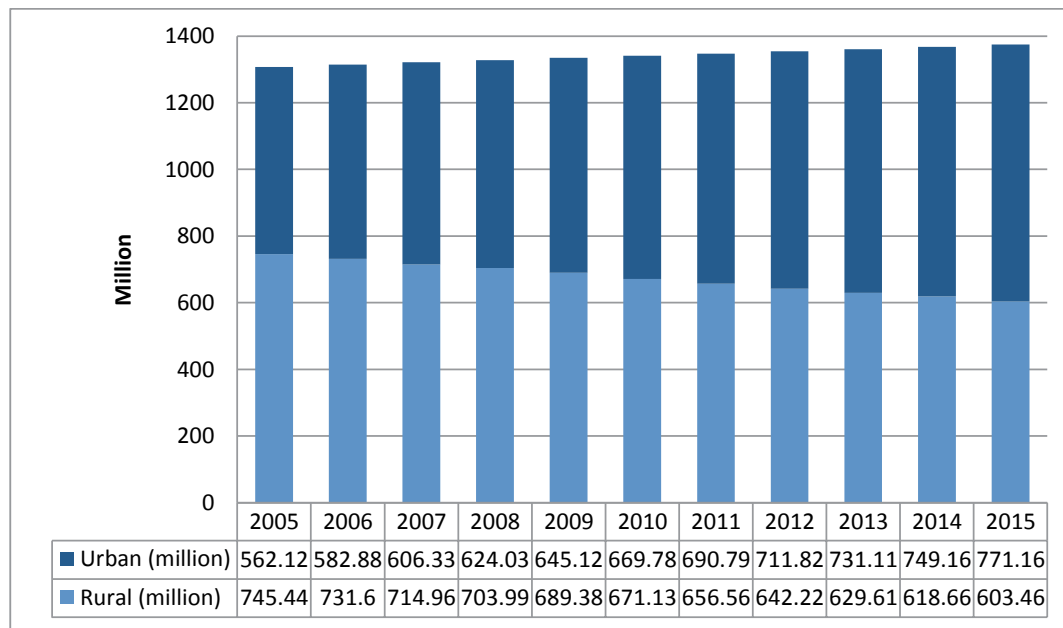
Improved regulatory framework

China introduced new organic regulations in March 2012, and in August 2014, China’s Ministry of Agriculture and the National Health and Family Planning Commission issued stricter maximum allowable residue (**MRL**) standards that covered 387 pesticides on 284 different types of food including vegetables.¹² In addition, in August 2015, China’s Ministry of Finance, Central Administration of Customs and State Administration of Taxation announced it would resume value-added taxes on fertiliser sales and imports (which were halted in 1994).¹³ In fact, in March 2015, China announced that the annual growth in the use of chemical fertilisers would be capped below one percent from 2015-19, with growth halted from 2020 onwards.¹⁴

Increased urbanisation

Given the premium price that organic food commands over conventional foods, the main addressable market is in urban regions, where household income levels are higher than in rural regions. In 2015, per capita disposable income of urban households in China was RMB 31,195 (A\$ 6,655), registering a real growth of 6.6 percent over the previous year.¹⁵ This growth, along with the overall trend toward higher population growth in urban China (in 2015, the urban population was 771.16 million, an increase of 22 million over the previous year, while the rural population decreased by 15 million over the previous year¹⁶) is likely to drive demand for organic foods.

Figure 3: Urban and Rural Population, China, 2005 to 2015



Source: National Bureau of Statistics of China

¹¹ Global Food Security Index 2015, The Economist Intelligence Unit

¹² ‘Beijing’s Fresh Vegetables contain more Pesticides than Shanghai produce according to a recent survey’, 29 Jan 2015, China Ag, <http://chinaag.org/2015/01/29/beijings-fresh-vegetables-contain-more-pesticides-than-shanghai-produce-according-to-a-recent-survey/>

¹³ ‘Chinese Utilization of Chemical Fertilizers and Pesticides still on the rise’, 7 Dec 2015, China Ag, <http://chinaag.org/2015/12/07/chinese-utilization-of-chemical-fertilizers-and-pesticides-still-on-the-rise/>

¹⁴ ‘China targets zero growth in chemical fertilizer use in 2020’, 18 Mar 2015, Reuters News Service, <http://www.producer.com/daily/china-targets-zero-growth-in-chemical-fertilizer-use-in-2020/>

¹⁵ National Bureau of Statistics of China, China’s Economy Realized a Moderate but Stable and Sound Growth in 2015, 19 January, 2016, http://www.stats.gov.cn/english/PressRelease/201601/t20160119_1306072.html

¹⁶ Ibid

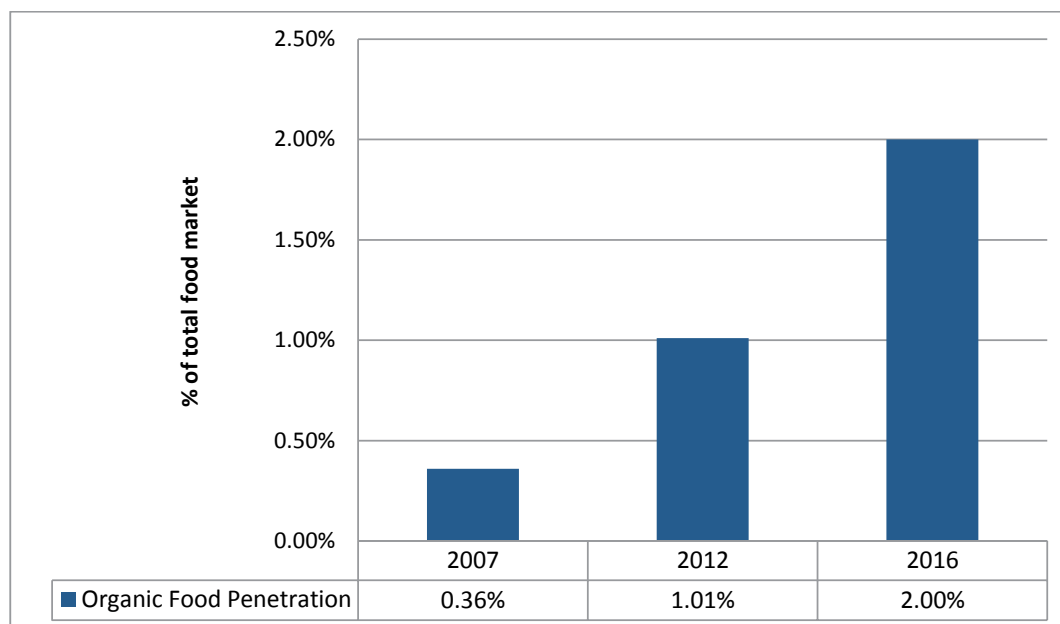
Improved accessibility of organic food through mainstream channels

Organic food has become more readily available to Chinese consumers, due to the increased availability in mainstream distribution channels, such as the large retail chains (both supermarkets and hypermarkets), the rise of specialist or boutique natural food / health food stores and the growth of e-commerce sales models. Increasing retailer interest in this niche market is expected to result in more choice for the health-and-safety-conscious consumer. In addition, the growth of Community Supported Agriculture (*CSA*) models - where consumers source their produce directly from farmers through a membership scheme – is helping make organic foods more accessible to consumers.

Overall Organic Food Penetration in China

While organic foods are still extremely minor in comparison to the total food market in China, penetration has risen over five times since 2007.¹⁷ As indicated in Figure 4, the penetration of organic food in total food sales in China has increased from 0.36% in 2007 to 2% in 2016.¹⁸

Figure 4: Organic Food Penetration, China, % of Total Food Market, 2007, 2012 and 2016



Source: Biofach China, NürnbergMesse and China Green Food Development Center

Given the price premium for organic foods, the penetration of organic foods is highest in tier-1 cities (e.g. Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing and Chengdu). These cities have the highest concentration of middle-income and upper-income households (who tend to be more discerning in their food choices), strong transport/logistics infrastructure to facilitate reliable and consistent sourcing of organic foods from producers and strong retail networks to ensure ready access to organic foods.

A survey of 250 Chinese consumers conducted in May and June 2014, mainly from tier 1 cities (Beijing, Shanghai, Guangdong and Chongqing), showed that (a) 66% had bought certified organic food and (b) fruit and vegetables were the most popular type of green food purchased (81%).¹⁹

As well as the tier-1 cities, the rapid economic growth in tier-2 cities will also present long term opportunities for growing organic food volume uptake. Some of the key tier-2 cities presenting this opportunity are:

¹⁷ Biofach China, NürnbergMesse and China Green Food Development Center

¹⁸ Ibid

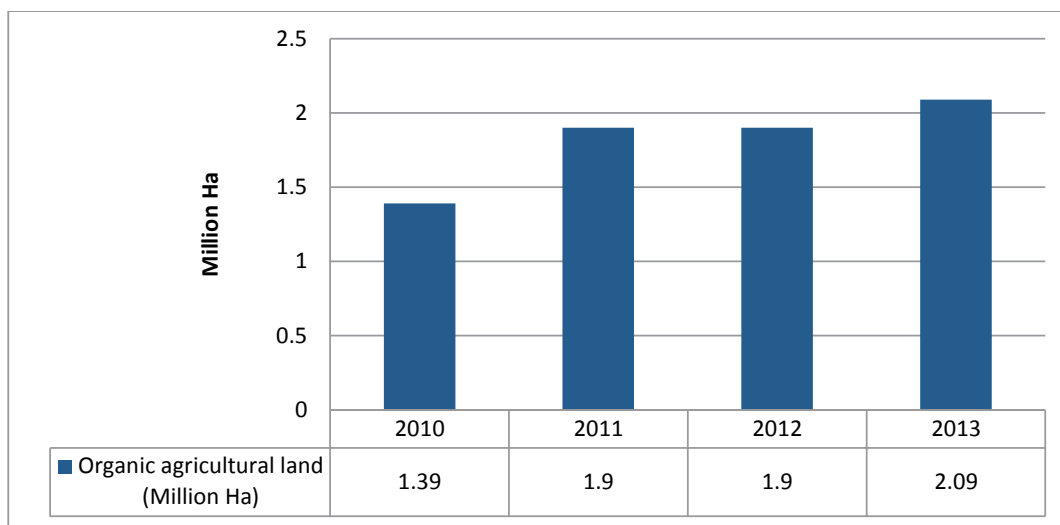
¹⁹ McCarthy, Breda L.; Liu, Hong-Bo Dr; and Chen, Tingzhen Dr (2015) "Trends in Organic and Green Food Consumption in China: Opportunities and Challenges for Regional Australian Exporters," Journal of Economic and Social Policy: Vol. 17: Iss. 1, Article 2. <http://epubs.scu.edu.au/jesp/vol17/iss1/2>

- North: Tianjin, Qingdao, Yantai, Zhengzhou, Shijiazhuang, Tangshan
- East: Hangzhou, Suzhou, Nanjing, Wenzhou, Wuhan
- Northeast: Shenyang, Dalian, Changchun, Harbin, Xi'an
- South: Dongguan, Foshan, Changsha, Fuzhou, Xiamen, Nanning

Estimated Size and Growth of Organic Vegetable Production in China

In 2013, China had 2.09 million hectares of organic agricultural land,²⁰ making it the fourth largest globally (after Australia, Argentina and USA). This equates to 0.4% of China's total agricultural land. Over the period 1999 to 2013, China had the largest increase in organic agricultural land after Australia.²¹ Figure 5 shows the agricultural land area dedicated to organic foods in China for the period 2010 to 2013.

Figure 5: Organic Agricultural Land, China, 2010 to 2013



Source: *The World of Organic Agriculture: Statistics & Emerging Trends 2015*, Research Institute of Organic Agriculture FIBL and IFOAM - Organics International

Of this total organic agricultural land, 62% is certified to the Chinese Organic Standard for domestic consumption, and the balance is certified by international organic certification agencies for export.²²

In addition to organic agricultural land, organic foods can also be sourced from wild collection areas. In China, this wild collection area totaled 1.44 million hectares in 2013; thus taking the total area for organic foods to 3.53 million hectares.²³

By the end of 2013, there were 6,051 organic producers in mainland China, with 9,957 organic certificates issued.²⁴ This marks a significant growth in the sector since 2005, when there were less than 200 organic certificates issued.²⁵

The growth of the organic food sector in the country is also indicated by the success of BioFach China - the national trade fair focused on organic products - which had 341 exhibitors and 16,742 visitors for its 2015 event (compared to 189 exhibitors and 15,963 visitors in 2012).²⁶

²⁰ The World of Organic Agriculture: Statistics & Emerging Trends 2015, Research Institute of Organic Agriculture FIBL and IFOAM - Organics International

²¹ Ibid

²² Country Report on the Development of the Chinese Organic Sector, Nov 2014, The China National Certification and Accreditation Administration (CNCA)

²³ Ibid

²⁴ Ibid

²⁵ Ibid

²⁶ NürnbergMesse

In 2013, China had 49,209 hectares dedicated to organic vegetables (0.26% of the country's total vegetable growing area), with a total organic vegetable production volume of 753,135 tonnes.²⁷ While perennial vegetables accounted for the largest area under cultivation, tubers accounted for the largest production volume. Table 1 outlines the land area dedicated to organic vegetables in China and the production volumes by major type of vegetable.

Table 1: Organic Vegetables, China, Land Area and Production Volume, 2013

Type of Organic Vegetables	Area (Ha)	Share of total area (%)	Production (Tonnes)	Share of total production (%)
Perennial vegetables	18,269	36.2	42,349	5.6
Tubers	7,474	14.8	177,336	23.6
Cabbage	4,307	8.5	22,614	3.0
Beans	3,479	6.9	22,899	3.0
Solanaceous vegetables	2,891	5.7	91,564	12.2
Gourds	2,766	5.5	85,677	11.4
Bulb vegetables	2,490	4.9	41,305	5.5
Root vegetables	2,412	4.8	36,607	4.9
Leaf vegetables	2,319	4.6	29,435	3.9
Edible fungus	1,317	2.6	43,904	5.8
Aquatic vegetables	1,239	2.5	22,313	3.0
Chinese cabbages	1,211	2.4	38,071	5.1
Mustard vegetables	329	0.7	98,355	13.1
Bud seedling vegetables	24	0.1	706	0.1

Source: CNCA 2014

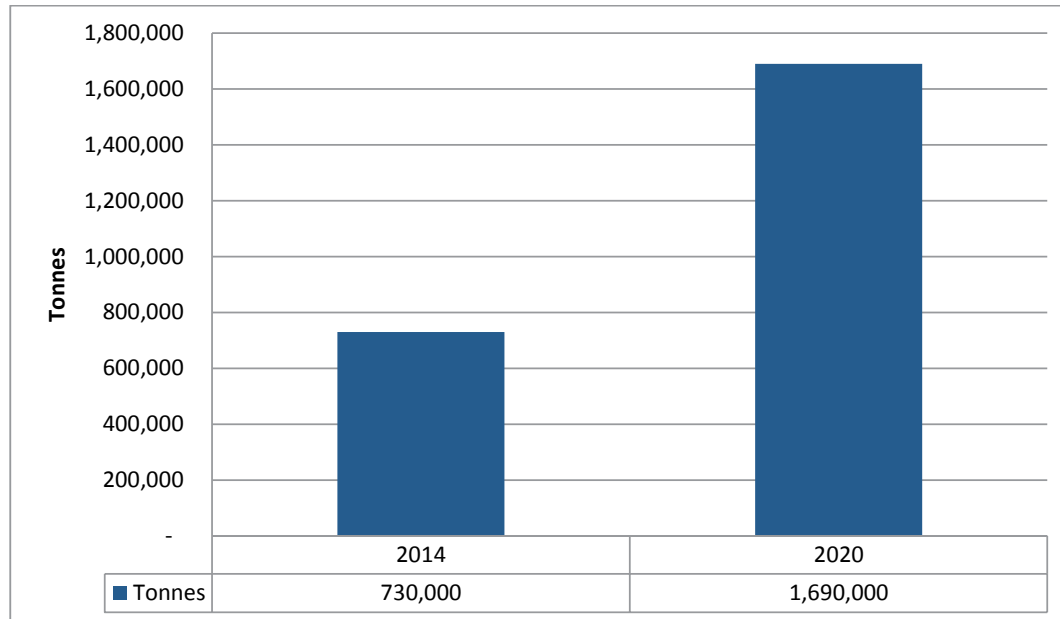
Given that China's organic vegetable exports are only around 21,000 tons²⁸, consumption of locally produced organic vegetables is estimated at over 730,000 tonnes. Therefore, consumption of locally produced organic vegetables is around 0.2 percent of total vegetable consumption (316 million tonnes in 2014²⁹). Assuming that total vegetable consumption continues to grow at the same rate that it has over the recent past (over 5% per annum 2009-14³⁰), then total vegetable consumption in 2020 is estimated to be around 423 million tonnes. Assuming that by 2020 organic vegetable penetration doubles (as a percentage of the total vegetable market), then estimated penetration in 2020 will be 0.4 percent, which will equate to around 1.7 million tonnes of locally produced organic vegetables consumed by 2020.

²⁷ Country Report on the Development of the Chinese Organic Sector, Nov 2014, The China National Certification and Accreditation Administration (CNCA)

²⁸ Ibid. 2011 estimate.

²⁹ Euromonitor, Consumption of Fruits and Vegetables: Global and Asian Perspective, <http://www.slideshare.net/Euromonitor/consumption-of-fruits-and-vegetables-global-and-asian-perspective>

³⁰ Ibid

Figure 6: Estimated consumption of locally produced organic vegetables, China, 2014 and 2020

Source: Frost & Sullivan estimates

Channels to market

Key channels to market for organic vegetables in China are supermarkets, chain stores and farmers' markets. Traditional local wet markets are the largest channel for the total vegetables sector.

Supermarkets with a national presence in China include Carrefour, Wal-Mart, Metro, Tesco, Vanguard SuperMarket, Century Lianhua and RenRen Le. Wal-Mart and Metro have used private labelling to sell organic foods (primarily grains and honey). The international supermarkets - concentrated in the large urban centres such as Beijing, Shanghai and Shenzhen - typically sell imported organic foods. The traditional Chinese chain stores - that use their bargaining power to increase price pressure on suppliers - are a challenging channel for small organic suppliers. Another key channel to market is the specialist organic food store catering mainly to higher income segments (for example, Beijing LoHao City which is a vertically integrated organic business with its own farming facility).

A rapidly-growing channel has been internet direct selling (primarily the online portals of supermarkets and organic foods manufacturers and suppliers). A few organic food suppliers do not even own physical stores, such as TooToo Foods, RedBabay, Yiguo, HeleKang, OFood, etc. These suppliers either source their products from a range of organic farmers or own their organic food farming lands.

Other smaller channels to market include gift purchase, restaurants and organic farming tourism.

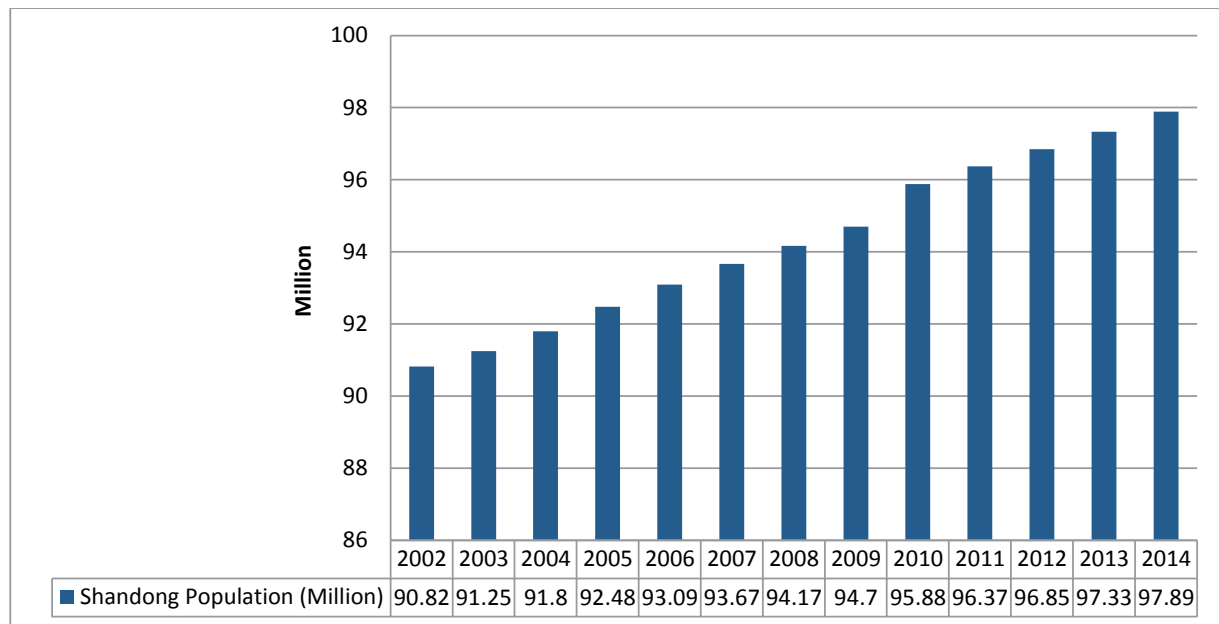
Vegetable Market in Shandong

The Shandong province, with Jinan as capital, covers an area of around 156,700 sq. kms. Other important cities in the province include Qingdao, Yantai, Zibo, Weihai, Weifang, Dongying and Rizhao (known collectively as the cities cluster, accounting for around 63% of Shandong's GDP).

The population of Shandong was around 97.9 million in 2014, making it the second most populous province in China.

Figure 7 shows population growth in Shandong over the period 2002 to 2014. This growing population confirms the growing market potential for JJF in the province within which it is headquartered.

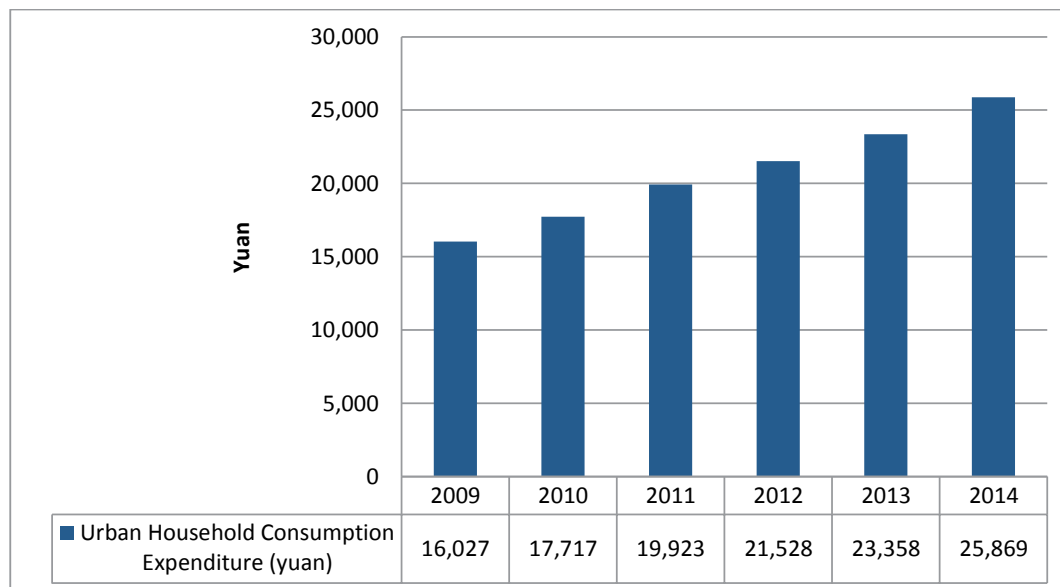
Figure 7: Population, Shandong, 2002-14



Source: China Statistical Yearbook, 2014, National Bureau of Statistics of China

Given that the core market for organic vegetables is the higher and middle income households, the economic strength of the province is critical to realising increased demand uptake. On this score, Shandong is extremely well positioned, as its GDP has risen faster than the national rate; at an annual growth rate of 9.4 percent over the period 2011 to 2015.³¹ Figure 8 shows the growth in urban household consumption expenditure³² in Shandong over the period 2009 to 2014.

Figure 8: Urban Household Consumption Expenditure, Shandong, Yuan, 2009 to 2014



Source: National Bureau of Statistics of China

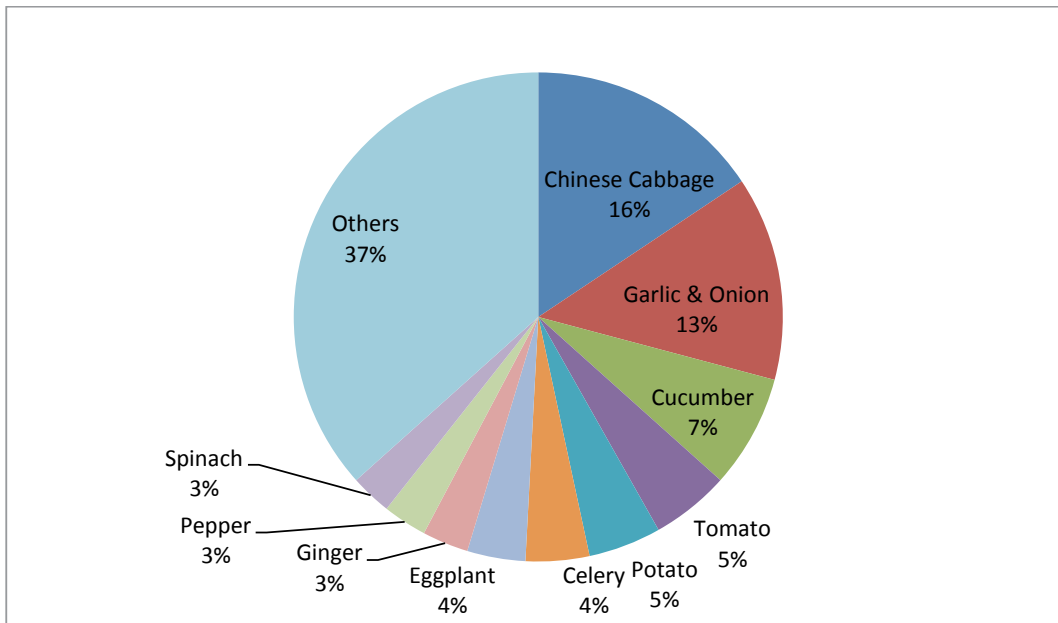
³¹ People's Daily Online, 3 Feb 2016, <http://en.people.cn/n3/2016/0203/c98649-9013481.html>

³² National Bureau of Statistics of China

Shandong has one of the largest arable land areas in China, ranking No. 3 in the country, after Heilongjiang province and Henan province, totaling over 13,516 hectares (48.4% of its total area). As a result, this province leads the country in total value, added value and export of agro-products.³³

Shandong enjoys good climatic conditions and soils for vegetable growing, and this has ensured that the province leads the country in sown area for vegetables (1.83 million hectares in 2013).³⁴ Total production volume of vegetables from the province was 96.6 million tonnes in 2013.³⁵ Figure 9 indicates the main vegetables produced in Shandong.

Figure 9: Production volume split of the main vegetables grown in Shandong, 2013



Source: Shandong Agriculture Department

The province also has an established supply chain for vegetable production and distribution locally and to the rest of the country, with 39 vegetable wholesale markets recognised by the Ministry of Agriculture as 'Key Wholesale Markets' in 2013.³⁶

Given the high export-orientation of the province's agricultural sector, the government and industry have been seeking to raise quality and safety standards, with 78 counties established as 'Quality Safety Demonstration Areas for Agricultural Export' in Shandong by the end of 2014.³⁷

Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in JJF and no interest in the outcome of the capital raising. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the capital raising. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan does not hold a dealer's license or Financial Services License.

³³ China Statistical Yearbook, 2014, National Bureau of Statistics of China

³⁴ Shandong Agriculture Department

³⁵ Ibid

³⁶ Ibid

³⁷ 'Shandong's Agricultural Exports Win the World's Trust', 9 Dec 2014, China Today, http://www.chinatoday.com.cn/english/economy/2014-12/09/content_657640.htm

Conclusion

The Chinese government, in its attempt to raise overall food safety standards and minimise the impact of food scares, has recently introduced stricter regulations, licensing, preapprovals and sampling/inspection requirements across a number of food categories. Relatively strong GDP growth over the last decade has created a robust middle-income segment with higher disposable incomes. This, along with rising consumer safety and health awareness, is likely to drive demand for organic foods as a lifestyle choice primarily for urban middle-income and upper-income households. Organic vegetables are likely to benefit from widespread consumer perception of these products as presenting a reduced health risk through contamination, poisoned produce or food fraud. Further innovations in terms of farming practices, packaging, storage and marketing are likely to drive growth of the organic vegetable market in China.

Current Chinese consumption of locally produced organic vegetables is estimated at over 730,000 tons. Moving forward, with growth expected both in local demand and local supply, this figure is projected to rise rapidly to reach an estimated 1.7 million tonnes in 2020.

Based on the strong growth in organic vegetable consumption over the recent past in the Chinese market, Frost & Sullivan anticipates that there is likely to be significant demand for JJF's organic produce. Given that the organic vegetable segment is still largely nascent, the potential for increased penetration of the total urban population in China is extremely high.

Yours Sincerely



Mark Dougan

Managing Director, Australia & New Zealand

04

COMPANY
OVERVIEW



COMPANY OVERVIEW

4.1 Introduction

JJF operates a leading agribusiness in Qingzhou City, Shandong Province, China, renowned for its vertically-integrated business model and agricultural technology innovation in relation to fruit and vegetable farming, harvesting, packing, marketing, supply and distribution.

The JJF brand is highly recognised and respected in Shandong Province, China. The Company has received prestigious designations including “Chinese National Standard Vegetable Farm”, “National Technology Innovation Demonstration Base for the Youth and Children Food Safety”, “National Model for Comprehensive Agricultural Development and Production”, as well as “Shandong Province Modern Agribusiness Development Base”.

JJF endeavours to deliver high quality produce and to meet the needs of the market and customers through innovation. The Group has a dedicated management team with agricultural expertise and the founder is also actively involved in the day-to-day management of the Group. Operating within a strongly regulated industry sector of significant scale and with strong and continuous demand from consumers, the Group has the potential for significant future growth, both organically and through further vertical and horizontal integrations.

4.2 History

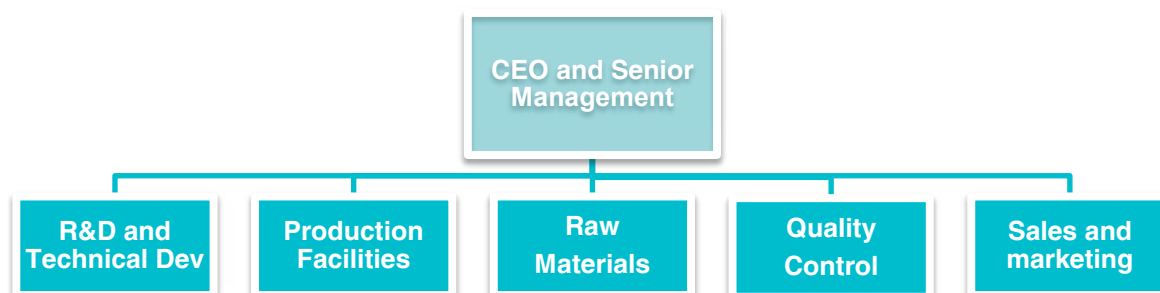
A timeline of some of the significant events and milestones for the Group is set out below.

Time	Event
2011	<ul style="list-style-type: none"> JJF was founded in China under the business name “Qingzhou Jiajiafu Modern Agricultural Development Co., Ltd”, with RMB 5 million (A\$1.07 million) registered capital.
2012	<ul style="list-style-type: none"> JJF started to receive recognition. It was awarded the certification of “Leading Agriculture Production Corporation in Weifang City (Shandong Province)” by the local government, and was named “Excellent Trustworthy Farmers Agent” by the Agricultural Markets and Agents Association in Shandong Province. JJF received government subsidies for the Qingzhou city modern agricultural development in capitalised vegetable production projects, and the production project titled “Cai Lan Zi”. JJF was recognised by the Agriculture Department as the National Standard for plantation sites.
2013	<ul style="list-style-type: none"> JJF accepted government subsidies for the Qingzhou City Ecological Agriculture and New Energy Demonstration Project. JJF was named one of the Top Ten Best Agriculture Corporations by Qingzhou City Government. JJF’s operating facilities were awarded the title of “National Demonstration Base” for their standardised production systems.
2014	<ul style="list-style-type: none"> JJF was named the “Leading Advanced Corporation” in building plantation sites for outsourcing safe quality farm products. JJF changed its name to “Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd”.
2015	<ul style="list-style-type: none"> JJF was selected as the Provincial Standardised Agricultural Production Base in Shandong Province. JJF was recognised as the Pilot Enterprise under the New Rural Cooperative Finance Program in Shandong Province. In collaboration with the China Agriculture University, JJF entered into an R&D agreement to develop key methods of researching characteristic substance of dandelions and optimising the quality of the dandelion tea products, and established a research and development centre for the R&D project.
2016	<ul style="list-style-type: none"> JJF participated in the Pilot Project of Land Operation Right Contributed as Shares into Agribusiness for the Development of Industrialisation of Agribusiness led by the Ministry of Agriculture. JJF was recognised as the National Pilot Enterprise under the Pilot Program of Obtaining Loans with the Mortgage of the Right to the Contractual Operation of Rural Land and the Pilot Program of Obtaining Loans with the Mortgage of the Farmer’s Housing Property Right.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

4.3 Business model

The JJF business model is a vertically integrated model that adopts a corporate strategy combined with core agricultural operations and systems in order to standardise its production processes across every stage, from the supply of raw materials and sowing, to harvest and product inspection. Under this approach, the management team is better able to supervise, oversee and sign-off on all aspects of JJF’s operations, which include farming, packaging, marketing and distribution. The below diagram is an illustrative representation of JJF’s operational management structure:



The key objective underpinning JJF’s business model is to cultivate the highest quality of fruit and vegetable produce through JJF’s internal R&D facilities and partnership arrangements that develop modern and innovative farming methods. JJF’s business model also incorporates a diversified portfolio to manage risk against reliance on any single product. No single product category represents more than 25% of total revenue (see Section 4.4.1). In order to mitigate the risk of seasonal change, JJF employs protected cropping techniques, such as growing indoors in glasshouses. More than 60% of JJF’s plantation sites are based indoors.

JJF's business planning is based on the annual crop cycles of its products, the condition of the plantation fields, as well as the availability of seedlings (see below sections 4.3.2 and 4.4 for harvest seasons and horticultural processes). During busier harvest seasons, JJF employs temporary contractors and sub-contractors to meet labour requirements, who are paid at a daily rate.

JJF generates revenue by selling its fresh agricultural produce to wholesale retailers and major supermarkets, who generally enter into annual supply contracts (see Section 9.5.1). JJF bears the costs of harvesting, while the wholesale retailers are responsible for weighing, loading and delivering the produce from the plantations. For sales to supermarkets, fresh produce is packaged and labelled with JJF's branding, before being delivered to the supermarket every second day using JJF's delivery trucks.

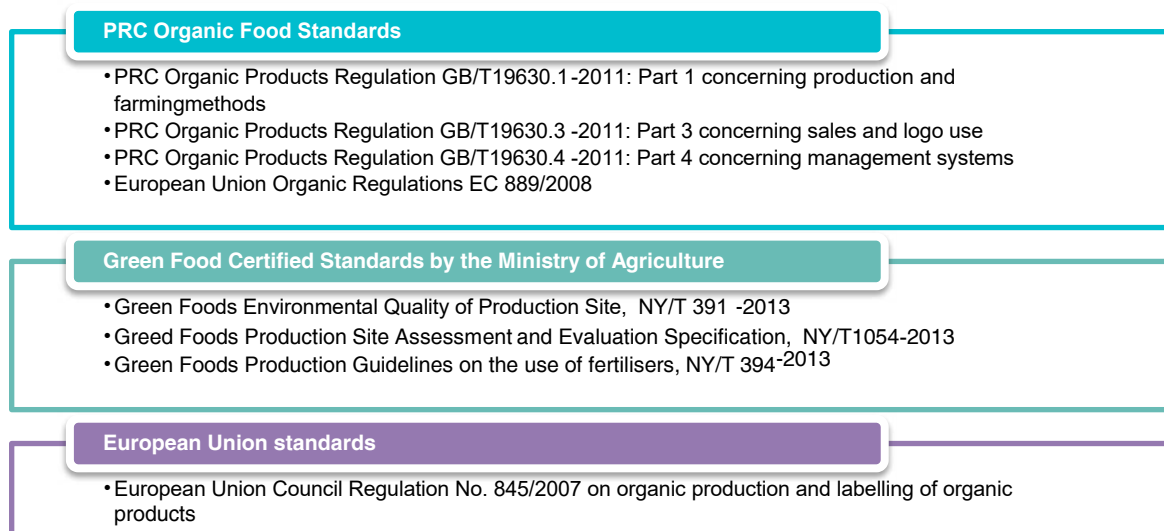
4.3.1 Strengths and competitive advantages

Natural plantation habitat with government support and protection: JJF is situated in Qingzhou, Weifang, Shandong Province in China. The region enjoys climatic conditions which are well suited for the growth of JJF's fresh produce range. The annual average rainfall is approximately 660 to 700 millimetres, with temperatures averaging 12.7 degrees Celsius. These conditions, together with the abundance of arable soil, make Qingzhou highly suitable to vegetation growth. In 2014, Weifang was named by the National Development and Reform Commission to be the focus area for agricultural reform. As such, Qingzhou enjoys strong governmental support and natural environment protections.

Market leader in the region: As a leading market player in the fresh fruit and vegetable industry in Qingzhou city, JJF commands a strong vertically integrated business with a total of over 300 hectares of farmland dedicated to growing fresh organic produce.

Additionally, JJF has established solid relationships with and is a trusted supplier of fresh high quality produce to both wholesale retailers and supermarkets. These wholesalers and supermarkets have reach throughout the whole of Shandong province. JJF's brand, which appears on the produce packaging, is similarly able to reach Shandong's consumers. Since JJF's brand building and marketing efforts in recent years, JJF now has a significant brand presence and product reputation in both Shandong and Hebei provinces. In 2016, JJF joined Alibaba to launch its own online sales platform, aiming to expand their existing distribution channels and to supply their organic produce as well as JJF's processed food products to the rest of China.

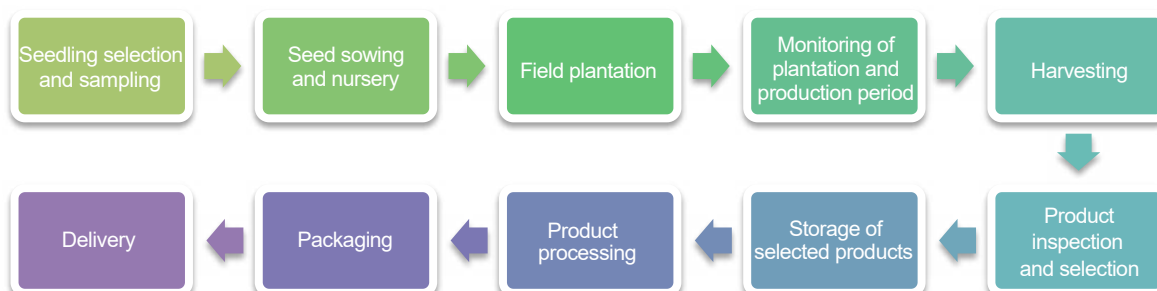
Adherence to national agricultural standards: JJF maintains strict adherence with national standards of organic production prescribed by food safety regulations of the PRC, as well as other international standards. Specifically JJF adheres to the following standards and certifications:



R&D and intellectual property: JJF furthers its competitiveness through focusing on research and development of modern farming methods to improve crop yield and expand product variety. JJF engages in the development of innovative mixtures of organic fertilisers and organic farming practices, as well as food processing techniques. For instance, JJF owns the exclusive patent over its dandelion tea production method (see Section 4.11).

4.3.2 Production Model Overview

The Group's production and farming is operated on more than 300 hectares of arable land with a combination of greenhouses and open-air plantation sites. Part of these greenhouses are purchased from farmers, and the rest of the greenhouses were built by the Group. The choice of whether a certain product is grown in greenhouses or open-air plantations depends on the type of product and its specific needs, as well as seasonal changes, to mitigate climate condition risks and encourage high yield. The diagram below sets out the stages of the fresh produce production process.



In order to maintain a consistently high quality production strategy, all of the product's harvesting and farming methods are approved by the Chief Executive Officer. The management team of the Group is heavily involved in the process to ensure product-specific and consistent formulas of organic fertilisers, herbicides, plant nutrients and other organic production materials as well as enforcement of post-harvest protocols to ensure healthy and high quality produce

4.4 Product Range and Production

JJF's revenue comes from the sale of its fresh produce range, with the key product varieties including cucumbers (including fruit cucumbers), tomatoes (including cherry tomatoes), eggplant (including long eggplants) and chilli peppers (including capsicums) generating respectively for each variety 22.02%, 21.88%, 18.08% and 16.53% of the total revenue in 2015. Currently, JJF has not yet started to generate revenue from its processed food products listed in Section 4.4.4. These products are yet to enter into large scale production, among which the pumpkin powder products and dandelion tea products are currently in the quality testing and certification stage.

4.4.1 Fresh Produce


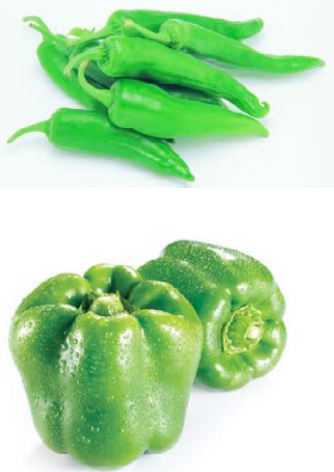

JJF's core fresh product range is comprised of a comprehensive and diversified portfolio of high-quality fruits and vegetables. All of JJF's products are high quality and some products are certified to be organic in accordance with Organic Food Development Centre of China (**OFDC**) standards. The table below sets out JJF's top revenue generating fresh produce items between the years 2013 and 2015.




Product	2015		2014		2013	
	Yield (Kg)	Revenue (RMB)	Yield (Kg)	Revenue (RMB)	Yield (Kg)	Revenue (RMB)
Fruit Cucumber	2,632,094	16,821,659.91	2,686,887	16,270,699	2,646,507	16,612,301
Cherry Tomato	2,329,591	14,979,422.96	2,468,951	14,715,207	2,449,467	14,558,460
Tomatoes	2,746,539	12,604,756.85	2,757,725	11,727,737	2,945,143	13,803,574
Long Eggplant	2,318,511	10,836,119.40	2,854,305	13,181,389	2,728,473	14,092,061
Cucumber	2,713,098	10,940,983	2,848,927	11,649,224	2,736,589	11,065,636
Cabbage	3,644,168	10,462,532	3,683,410	11,558,620	3,717,813	10,584,125
Eggplant	2,513,349	11,967,140.05	2,868,937	10,215,047	2,591,868	9,706,343
Chilli Pepper	2,283,236	10,543,242.26	2,260,954	9,180,416	2,239,116	10,064,062
Capsicum	2,171,202	10,296,893.80	2,329,348	7,357,621	2,364,077	8,467,275
Zucchini	2,798,966	5,192,557	3,490,281	8,831,106	259,718	1,411,188
Carrot	2,428,014	3,862,608.60	2,519,631	3,088,594	2,534,631	4,057,740
Potato	883,216	1,572,457	863,850	1,355,340	850,323	1,383,653
Onion	151,624	272,923.00	150,000	270,000	150,843	271,517
Total	29,563,608	120,353,296	31,783,206	119,401,000	28,214,568	116,077,935

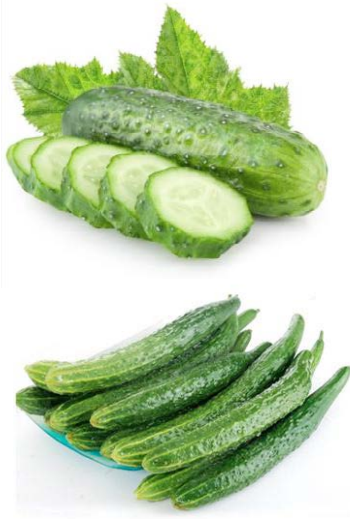
The top yielding fruits and vegetables of the Group from the years 2013 to 2015 are set out below. Yield levels below represent the total yield for the three years, rounded to the nearest tonne.

Item	Yield (kg)	% of total yield
Cabbage	11,045,391	12.33%
Tomatoes	8,449,407	9.43%
Cucumber	8,298,614	9.27%
Long Eggplant	7,901,289	8.82%
Eggplant	7,974,154	8.90%
Fruit Cucumber	7,965,488	8.89%
Carrot	7,482,276	8.35%
Capsicum	6,864,627	7.66%
Cherry Tomatoes	7,248,009	8.09%
Chili Pepper	6,783,306	7.57%
Zucchini	6,548,965	7.31%
Potatoes	2,547,389	2.84%
Onion	452,467	0.51%
Total	89,561,382	100%

4.4.2 Fresh produce plantation and processing model

Product type	Plantation
<p>Eggplant</p> 	<p>Varieties: round and long eggplant.</p> <p>Land area: approximately 316,000 square meters of land has been dedicated to growing eggplants per year on average from 2013 to 2015. Eggplant plantations occupy 67 greenhouses. In 2015, the yield per square meter of land for each variety was approximately 15 kg.</p> <p>Peak plantation seasons are spring and autumn, and products may be harvested throughout the year.</p> <p>Growth cycle: full growth cycle is approximately between 28 to 36 weeks, and products are normally harvested between the 20th and 28th week.</p> <p>Plantation process: in accordance with the certified standards of OFDC and best practices based on JJF's agricultural experience, the plantation process is broadly outlined as follows:</p> <ol style="list-style-type: none"> I. Seed treatment: seeds are washed in temperature controlled water, sundried, and sowed in moderately compressed soil. Seedlings are watered, kept in a moist soil environment, and shielded from rainfall or insects. II. Plantation and maintenance: approximately 10 tonnes of organic fertiliser is used per mu (approximately 614.4 square meters) of planted area. Planted sites are kept under warm and moist greenhouse conditions. Humidity levels are monitored and maintained under 80%. Greenhouse walls are regularly cleaned to ensure sufficient sunlight exposure. <p>Harvest: the product is harvested approximately 20 days after blooming, and when the eggplant has grown to a significant size, without any white sepals.</p>
<p>Peppers</p> 	<p>Varieties: capsicum and green chilli peppers.</p> <p>Land area: approximately 285,000 square meters of land has been dedicated to growing peppers per year on average between 2013 to 2015. Pepper plantations occupy 69 greenhouses. In 2015, the yield per square meter of land for each variety was approximately 15 kg.</p> <p>Peak plantation seasons are spring and autumn, and products may be harvested throughout the year.</p> <p>Growth cycle: full growth cycle is approximately between 28 to 36 weeks, and products are normally harvested between the 20th to the 28th week.</p> <p>Plantation process: in accordance with the certified standards of OFDC and best practices based on JJF's agricultural experience, the plantation process is broadly outlined as follows:</p> <ol style="list-style-type: none"> I. Seed preparation: seeds are washed in temperature controlled water, sundried, and sowed in moderately compressed soil. Seedlings are watered, kept cool and moist under a layer of sunlight-proof covering. II. Plantation and maintenance: approximately 16 tonnes of organic fertiliser is used per mu (approximately 614.4 square meters) of planted area. Plantation sites' temperatures, sunlight exposure, air flow and humidity levels are all monitored and maintained at optimum greenhouse conditions. <p>Harvest: the product is harvested approximately 35 to 40 days after bearing fruit, and when the fruit has grown to certain firmness and size.</p>
<p>Zucchini</p> 	<p>Land area: approximately 163,000 square meters of land has been dedicated to growing zucchinis per year on average between 2013 to 2015. Zucchini plantations occupy 29 greenhouses. In 2015, the yield per square meter of land was approximately 15 kg.</p> <p>Peak plantation seasons are spring and autumn, and products may be harvested throughout the year.</p> <p>Growth cycle: full growth cycle is approximately between 28 to 36 weeks, and peak harvest periods are between the 17th to the 24th week.</p> <p>Plantation process: in accordance with the certified standards of OFDC and best practices based on JJF's agricultural experience, the plantation process is broadly outlined as follows:</p> <ol style="list-style-type: none"> I. Seed preparation: seeds are submerged and washed in temperature controlled water, dried, and sowed in bowls. A layer of thin film and a layer of grass are used to cover the bowl. The grass layer will be removed and placed back at varying times of the day to level the temperature of the seedling. II. Plantation and maintenance: approximately 8 tonnes of organic fertiliser is used per mu (approximately 614.4 square meters) of planted area. Plantation sites' humidity and water levels are monitored, and the soil is cultivated 3 times in addition to artificial pollination. <p>Harvest: approximately 30 to 35 days after flowering, and when the zucchini is approximately 0.25-0.50 kg.</p>

Product type	Plantation
<p>Root vegetables and tubers</p> 	<p>Varieties: Carrots, radishes, yams and potatoes.</p> <p>Land area: approximately 941,000 square meters of land has been dedicated to growing root vegetables and tubers per year on average between 2013 to 2015. Root vegetable and tuber plantation do not require greenhouses. In 2015, the yield per square meter of land for each variety was approximately 5 kg</p> <p>The peak plantation period is during late summer, however the yams are planted in late spring, and products are generally harvested before winter.</p> <p>Growth cycle:</p> <ol style="list-style-type: none"> I. Carrots: full growth cycle is approximately between 21 to 24 weeks, and products are normally harvested after the 20th week. II. Radishes: full growth cycle is approximately between 17 to 20 weeks, and products are normally harvested after the 16th week. III. Yams: full growth cycle is approximately between 25 to 28 weeks, and products are normally harvested after the 24th week. IV. Potatoes: full growth cycle is approximately between 13 to 16 weeks, and products are normally harvested after the 12th week. <p>Plantation process: in accordance with the certified standards of OFDC and best practices based on JJF's agricultural experience, the plantation process is broadly outlined as follows:</p> <p>Preparation of soil and plantation site: approximately 7 tonnes of organic fertiliser is used per mu (approximately 614.4 square meters) of planted area.</p> <p>Maintenance: any irregular, pest damaged or overabundant amount of leaves are removed. Rainfall levels for the plantation season determine the amount of additional watering required. In particular, weed and pest plant control is an important part of the plantation process, as weeds sprout quickly due to the humid environment, and are therefore removed immediately to ensure the survival of the product.</p> <p>Harvest: product harvest varies depending on product maturity.</p>
<p>Cabbage</p> 	<p>Land area: approximately 863,000 square meters of land has been dedicated to growing cabbages per year on average between 2013 to 2015. Cabbage plantations occupy 60 greenhouses. In 2015, the yield per square meter of land was approximately 4 kg.</p> <p>Peak plantation seasons are autumn and winter; and products may be harvested only during autumn and winter.</p> <p>Growth cycle: full growth cycle is approximately between 5 to 8 weeks, and products are normally harvested after the 4th week.</p> <p>Plantation process: in accordance with the certified standards of OFDC and best practices based on JJF's agricultural experience, the plantation process is broadly outlined as follows:</p> <ol style="list-style-type: none"> I. Seedling management: seeds are planted in relatively dry seedbeds at elevation. Seedbeds are fertilised, and watered during dry conditions. Insect nets are used to cover the seedlings after germination. II. Plantation and maintenance: approximately 5 tonnes of organic fertiliser is used per mu (approximately 614.4 square meters) of planted area. Extra fertilizers are added during rosette, early and mid stages, with 500 kg added in each round. Black lights are used to prevent pests.
<p>Tomatoes</p> 	<p>Land area: approximately 863,000 square meters of land has been dedicated to growing cabbages per year on average between 2013 to 2015. Cabbage plantations occupy 60 greenhouses. In 2015, the yield per square meter of land was approximately 4 kg.</p> <p>Peak plantation seasons are autumn and winter; and products may be harvested only during autumn and winter.</p> <p>Growth cycle: full growth cycle is approximately between 5 to 8 weeks, and products are normally harvested after the 4th week.</p> <p>Plantation process: in accordance with the certified standards of OFDC and best practices based on JJF's agricultural experience, the plantation process is broadly outlined as follows:</p> <ol style="list-style-type: none"> I. Seedling management: seeds are planted in relatively dry seedbeds at elevation. Seedbeds are fertilised, and watered during dry conditions. Insect nets are used to cover the seedlings after germination. II. Plantation and maintenance: approximately 5 tonnes of organic fertiliser is used per mu (approximately 614.4 square meters) of planted area. Extra fertilizers are added during rosette, early and mid stages, with 500 kg added in each round. Black lights are used to prevent pests.

Product type	Plantation
<p>Cucumbers</p> 	<p>Varieties: fruit cucumber and ordinary cucumber.</p> <p>Land area: approximately 277,000 square meters of land has been dedicated to growing cucumbers per year on average between 2013-2015. Cucumber plantations occupy 59 greenhouses. In 2015, the yield per square meter of land for each variety was approximately 18 kg each.</p> <p>Peak plantation seasons are spring and autumn, and products may be harvested throughout the year.</p> <p>Growth cycle: full growth cycle is approximately between 28 to 36 weeks, and products are normally harvested during weeks 20 to 28.</p> <p>Plantation process: in accordance with the certified standards of OFDC and best practices based on JJF's agricultural experience, the plantation process is broadly outlined as follows:</p> <ol style="list-style-type: none"> I. Land selection: soil beds are selected based on fertility, the levels of organic matter, water and fertilizer storage capacity and pH level, which is ideally between 5.5-7.2 (neutral). II. Plantation and maintenance: approximately 5 tonnes of organic fertiliser is used per mu (approximately 614.4 square meters) of planted area. Support stems are erected to prevent cucumbers from falling over and to enhance growth potential. Temperature and pests are monitored and controlled. <p>Harvest: approximately 56 days after flowering.</p>

4.4.3 Product Inspection, Packaging and Storage

All harvested goods are handled and cleaned with the utmost care. All harvested goods are selected and categorised strictly in accordance with a selection criteria based on shape and size as well as lack of pollutants, pest and insect damage, or other damage. Fresh products to be transported to supermarkets and fruit and vegetable shops are packaged with JJF's logo and the organic certification logo in accordance with uniform packaging and organic vegetable specifications. After a final round of inspection, qualified and packaged products are stored in a temperature controlled environment.

4.4.4 Processed food products

Apart from growing fresh vegetable products, JJF is also dedicated to developing and expanding its range of high quality packaged and processed foods through R&D. Below are JJF's current key processed food products which are in the process of being certified and approved by food administrative authorities and are expected to be put on the market soon.

(a) Dandelion Tea



Through R&D efforts in collaboration with the China Agricultural University and a focus on innovative production techniques, JJF has developed its own patented set of processing methods for dandelion tea. This processing method protects the active ingredients contained in the plant and opens the plant's cuticles to maximise the release of natural ingredients during tea brewing. It also gives the tea a refreshing fragrance and taste, as well as a clear natural colour. The processing model is summarised as below.

Sourcing and processing of raw materials	Dandelion leaves are sourced locally from Qingzhou and Binzhou Zhanhua.
	Leaves are picked from dandelion seedlings and are washed before processing.
Drying	Leaves undergo another selection process, based on leaf quality and size.
	Selected leaves are dried using a mechanical dryer.
Tea leaf formation	Leaves are rolled by a moulding machine.
	Rolled leaves are dried again to reduce moisture levels to 5 -10%.

(b) Pumpkin powder products

JJF, in partnership with China Agricultural University, is currently developing a range of food products based on pumpkin powder, including pumpkin based beverages, pumpkin seed oil and other soluble products with pectin extracts. These products are characterised by their natural flavours and colours as well as having high nutrition value, and are designed to be a food supplement for consumers with obesity or high cholesterol issues, and middle class or professionals with mid-to-high level disposable income.

Currently, JJF and the China Agricultural University have completed development of the powder product, with key stages of the production process outlined below:

In partnership with the Chinese Agricultural University, JJF is looking to develop secondary products using the pumpkin powder.

Sourcing and processing of raw materials	Only premium quality pumpkins are selected from local Qingzhou sources.
	Selected pumpkins are washed, peeled, diced and crushed.
Natural colour maintenance and microencapsulation	Colour is maintained through blanching and adding colour protection fixative.
	Product undergoes emulsification through the use of corn oil solution.
Seiving and drying	Pumpkin pulp is dried through a spray dry method.
	Coarse pumpkin fibre and clumps are removed through two stage seiving process.

(c) Dried Persimmons

Dried fruits are popular snacks in China, and dried persimmons are a Qingzhou local specialty. JJF's dried persimmon products are branded with JJF's registered trademark. The production process is outlined as follows.

Sourcing and processing of raw materials	Only premium quality pumpkins are selected from local Qingzhou sources.
	Selected pumpkins are washed, peeled, diced and crushed.
Natural colour maintenance and microencapsulation	Colour is maintained through blanching and adding colour protection fixative.
	Product undergoes emulsification through the use of corn oil solution.
Seiving and drying	Pumpkin pulp is dried through a spray dry method.
	Coarse pumpkin fibre and clumps are removed through two stage seiving process.

4.5 Quality control system and guidelines

In order to maintain product safety and a high standard of quality, especially in relation to its fresh produce, JJF implements a strict set of quality control policies and inspection protocols. These policies and protocols are enforced by JJF's senior management and officers along every step of the production to post-production process. The management guidelines along with key company quality policies are set out below:

Production stage	Quality control system
Supervision and management of product quality	<p>Quality control procedures and quality assurance are managed by the quality control committee, which is headed by the CEO of JJF. Their role involves reviewing annual product quality targets of the Company and reviewing changes or updates on quality control guidelines or protocols. The achievement of quality targets is recognised and rewarded in order to incentivise all company officers to maintain a high standard of quality. Meanwhile, raw material supply contracts and packaging and storage arrangements are supervised by the CEO and Vice CEO to ensure that product quality is not undermined in its processing.</p> <p>Market research is an important part of quality control. By understanding the Company's competitiveness in terms of product quality and any variation in market quality standards, the management team is better able to make decisions about updates to JJF's own quality control standards and procedures.</p>
Plantation site and environmental management	<p>All plantation sites are located away from populated or residential areas in order to reduce the risk of contamination by pollutants and other toxic by-products.</p> <p>On-site, the quality of water, soil and air are all maintained at optimum levels of production. The amount of air flow is monitored via routine inspection. Crop rotation is conducted to improve soil quality and structure, while organic fertilisers are used to enhance soil fertility. Any use of pesticides or herbicides is kept to the levels in accordance with organic standards. Water drainage systems are monitored and cleaned regularly to minimise soil pollution and lower the risk of sick or unhealthy harvests. Clearing drainage systems also avoids the risk of flooding and crop damage.</p> <p>Furthermore, decomposing or semi-rotten vegetation are cleaned and disposed of off-site to prevent the spread of plant disease and fungus.</p>
Inspection and use of raw materials	<p>In order to maintain a high standard of product quality, JJF uses premium quality raw materials, including organic herbicides and organic fertilisers.</p> <p>All raw material sourced from third parties undergo a thorough inspection process before they are accepted and stored. After the initial quality inspection stage, regular inspections are carried out between two to three times per week to ensure that quality levels are maintained.</p> <p>Spot checks and sample testing are conducted before raw materials are used on any of JJF's products. to ensure that quality standards are met.</p>
Pest control	<p>The pest control strategy is consists of two parts. The first is the use of pest-resistant horticultural techniques. For instance pest-resistant varieties of certain products are selected over ordinary varieties that are relatively more susceptible to pests. Environmental management strategies as set out above are also conducive to pest control.</p> <p>The second is the use of physical pest prevention methods. JJF has installed insect traps, fly screens and other physical means to minimise the risk of damage by pests and insects.</p>

Production stage	Quality control system
Product inspection and safety protocols	<p>JJF implements a product tracking system such that all products distributed by JJF could be tracked at any one time. Any complaint or awareness of product quality deficiency may be analysed and the product origins can be traced back to the original plantation site. The benefit of this capability is that the plantation site may then undergo inspection in order to prevent further crop damage, and determine the nature of the initial problem.</p> <p>Furthermore, routine reports are made to the management team and quality control committee detailing the results of product quality inspections.</p>
Packaging and storage policy	<p>All materials used for packaging undergo a thorough inspection process prior to being accepted by JJF. All accepted packaging goods adhere to a high level of hygiene standards and must be free of any harmful or poisonous substances. Facilities dedicated to product packaging are maintained in dry conditions with good air flow to prevent a build up of impurities and bacteria. Meanwhile, storage facilities are routinely assessed for cleanliness and kept pest-free.</p> <p>All packaged goods will undergo a final round of inspections before they are delivered to minimise the risk of product contamination.</p>
Personnel management and training	<p>JJF's staff plays a key role in maintaining high product quality. JJF provides training to all of its staff members on quality control systems and protocols. Staff undergo mandatory training on the full production cycle of organic produce as well as horticultural techniques and plantation management and quality control at each step of the crop growth and harvest process. Trained staff members are also tested as part of the training process.</p> <p>All new staff are trained on JJF's quality standards and protocols, organic goods production standards and food safety standards in order to ensure that the quality of JJF's products are not compromised.</p> <p>Employees follow a strict dress and personal hygiene code. Specifically, fresh produce handlers are not allowed to wear accessories or make-up that could contaminate goods. Employees are required to wear JJF uniforms designed to minimise contamination.</p>
Internal review and record keeping	<p>Internal review and record keeping are important parts of a quality control system. Quality control targets are set and used to monitor all production procedures and quality consistency. Failure to meet targets triggers a review of internal protocols, which is important for JJF to continuously improve quality standards. It is able to reflect any gaps in roles and responsibilities between all staff members.</p> <p>Records are made for all organic produce regarding their production cycle, storage, freshness, delivery and sales. All data kept are analysed and used to develop more efficient and effective horticultural techniques to maximise product quality.</p>

4.6 Sales Channels and Marketing

In order to generate revenue, JJF sells its products via two main effective sales channels. The first is through sales of premium products at large supermarket franchises and specialist fruit and vegetable stores. These premium vegetables and fruits are packaged with JJF's logo before they are transported to supermarkets and fruit and vegetable shops. JJF has entered into supply agreements with these supermarkets, and these agreements are renewed annually (see Section 9.5.1 for further details about these agreements).

The second main sales channel is via wholesalers. Any produce which are not premium products to be sold at supermarkets are sold in wholesale quantities to other wholesalers. Produce forms setting out the list of products are given to the wholesalers. JJF is responsible for harvesting the produce, while the wholesalers themselves are responsible for delivery of the produce from the plantation sites. JJF has entered into supply agreements with these wholesalers, and these agreements are renewed annually (see Section 9.5.1 for further details about these agreements).

4.7 Storage and delivery

Storage: After harvest, fresh produce are stored in refrigerated storage warehouse. JJF's storage warehouse is 1200m³ and can store up to 400 cubic meters of fresh vegetables at any one time. The temperature in the cold storage space is controlled between 2 to 8 degrees Celsius with a humidity level of 85-95% in order to keep produce fresh for delivery. JJF's storage and cooling standards adhere to official storage standards, prescribed by the Safety Code for Cold Storage, GB 28009-2011. As JJF's processed products are yet to be produced in commercial quantities, JJF is yet to set up a dedicated warehouse to store those products. The dandelion tea and pumpkin powder are kept in dry, cool places, while the dried persimmons are frozen at minus 10 degrees Celsius.

Delivery: For sales to wholesalers, the wholesalers are responsible for the delivery of the produce from the plantation sites. Meanwhile, products which are sold to supermarkets are delivered to stores by JJF, who will arrange for delivery trucks to deliver products every second day.

4.8 R&D Projects

JJF has a strong focus on R&D and is dedicated to expanding the Company's R&D capabilities. JJF's technical and R&D director oversees JJF's R&D department, which has continued to develop efficient production techniques and conduct various trials. JJF has built a meaningful relationship with the China Agricultural University, which is a leading university in China in the agricultural innovation and research space. JJF and the China Agricultural University have jointly established the JJF Fruit and Vegetable R&D Centre.

The table below outlines the R&D projects undertaken by JJF in partnership with the China Agricultural University.

	Project scope	Description
JJF	Pest control and anti-pest methods	Pest control and damage to crops due to pest infestation are pervasive issues for all agricultural companies. In 2011, JJF has embarked on an R&D project to develop an organic and safe method to combat the pest problem. In 2014, after extensive field testing and trials JJF has developed a comprehensive method which utilises ozone gas and other natural minerals. It is a highly effective pest control method that adheres to national organic and quality standards.

	Project scope	Description
Partnership with China Agriculture University	Dandelion tea: production and product development	Since developing the unique dandelion tea production method (see Section 4.4.4) and the registration of the patent, JJF has, in collaboration with the China Agriculture University, begun to research further methods of tea production that could optimise the quality of the dandelion tea. JJF also plans to extend production methods research to other types of beverages, including red tea and instant beverages.
	Pumpkin based food products research	Since 2015, JJF and the China Agriculture University are jointly developing methods of producing pumpkin based foods. Currently, a pumpkin powder food product has been developed. JJF is planning to develop other pumpkin products, including beverages, pumpkin seed oils, soluble polysaccharides and other pectin products.
	Carrot based food products processing methods	Similar to what has been achieved and planned for the pumpkin based foods, JJF plans to develop carrot based powdered food products, beverages, healthcare products, carotene supplements, and high-fibre foods. JJF plans to commence this research project in 2017.
	Food flavouring and spices research, development and commercialisation	JJF intends to develop a ginger spice product through an efficient low-temperature, vacuum extraction method and a reverse osmosis technology. Ginger oils may be extracted to produce other types of products including supplements and other spices. JJF plans to commence this research project in 2017.

4.9 Facilities and Assets

JJF has a long term lease over its ecological agriculture park which, since 2015, is independently managed. This ecological park houses approximately 304.5 hectares of plantation sites, where all of JJF's fresh produce range are grown. JJF's ecological park includes a total of 407 greenhouses, which have either been constructed by JJF or are pre-existing and acquired from local farmers. Greenhouses take up a total area of 206.4 hectares, representing approximately 68% of the total plantation area. Additionally, JJF's processing facilities contain cleaning and packaging equipment as well as temperature controlled storage facilities.



The management and logistical planning of JJF's business takes place at JJF's head office in Qingzhou city. The office area is approximately 1,351m², and houses the administration, sale and marketing, R&D, finance and management departments.

4.10 Head Office and Employees


JJF China has 69 employees, 10 of whom are senior management of the Company. The senior management roles are comprised of the Chairman, Vice-Chairman, CEO, CFO, Managing Director, Managing Assistant, Logistics Manager, Agriculture Manager, Securities and Shares Manager, Human Resources Manager, Production Manager, Company Secretary, Finance Supervisor, Logistics Supervisor and Sales Manager. JJF China also employs two in-house auditors.

4.11 Registered trademarks, logos and patents

The Group has the below registered trademarks under JJF China:

Trademark	Registration Number	Product and/or service category	Term
	No. 117181	Tree product, wheat and cereals, natural flowers, fresh fruit, livestock, fresh vegetables, fresh edible fungi, edible roots, and plant seeds.	14 April 2014 to 13 April 2024
	No. 117183	Tree products, canned vegetables, pickled fruits, fruit-based snacks, pickled vegetables, dairy, eggs, consumable oils, processed nuts and seeds, and dried edible fungi.	14 April 2014 to 13 April 2024

In addition, JJF entered into a trademark licence agreement with Qingzhou Jiajiafu Fruit and Vegetable Specialised Cooperative which exclusively authorises it to use the following registered trademark in China. Please refer to Section 9.6.2 in relation to the key terms of the trademark licence agreements.

Trademark	Registration Number	Product and/or service category	Term
	No. 9027517	Tree products, cereals and wheats, livestock, flower products, fresh fungi, fresh fruit and vegetable, pumpkin based products, roots and tubers.	21 July 2012 to 20 July 2022

As a result of its research and development partnership arrangements to improve production yields and efficiencies, JJF China has developed a unique set of dandelion tea production methods. This method is registered under a patent, which was registered in 2011 with the State Intellectual Property Office, with the patent number ZL200610069322.7.

4.12 Strategies for growth

Strategic Initiative	Description
Expansion of farming facilities and increase of human resource capabilities	<p>JJF plans to expand its total plantation area by approximately 133 hectares by the end of 2017 through entering into leases with local farmers. JJF plans to construct or acquire approximately 80 hectares additional greenhouses in order to increase yield volume.</p> <p>With the increase of production volume, JJF envisages a need for increased human resources and labour. JJF intends to not only expand its labour resources, but also recruit skilled personnel who are able to bring their expertise in agricultural development, technology and innovation, finance, management or strategic planning to assist the growth of the Company.</p>
Fresh and processed product development	<p>JJF is dedicated to continuously improving the quality and nutritional value of its fresh produce varieties. In particular, through implementing innovative farming methods and use of certain organic fertilisers, JJF seeks to increase the overall selenium levels in its vegetable products. As selenium has major health benefits, and selenium deficiency is an issue due to low selenium levels in the soil in certain regions of China, this initiative satisfies consumer demand for nutritious products and can increase the competitiveness of JJF's products.</p> <p>As the spending power of China's middle class continues to grow, China's consumer demand for imported wine continues to increase. As the China-Australia Free Trade Agreement comes into force, which reduces tariffs on wine imports to China, JJF plans to acquire Australian wineries to produce wine for Chinese consumers.</p>
Expansion of marketing, branding, sales and distribution channels	<p>JJF is committed to raising brand awareness through expanding its sales and marketing channels. In particular, ecommerce channels have been gathering popularity amongst Chinese consumers over the recent years. JJF, via third party online platforms including Alibaba, Taobao and Tianmao, plans to market and sell its high quality fresh produce as well as processed food products directly to consumers. These online channels often have lower costs than traditional sales and marketing platforms. JJF also intends to update its product packaging to include a QR code that contains digital and detailed information about the product.</p> <p>Additionally, JJF is looking beyond traditional wholesale and supermarket distribution networks. JJF plans to target professional and middle to upper class consumers through supplying processed food products such as dandelion tea products to airport boutiques and hotel stores.</p>
R&D and research partnerships	<p>JJF seeks to continue to develop its research partnership with the China Agriculture University via future collaborations and projects. The establishment of the JJF Fruit and Vegetable R&D Centre is a first step towards developing more efficient and innovative farming methods, as well as managing applications for patent registrations. JJF also plans to build more cooperative alliances with other institutions and government bodies to expand its R&D capabilities.</p>



A close-up photograph of a woven basket overflowing with fresh, colorful vegetables. The basket is filled with various types of cabbages, including a large green one and several smaller ones. There are also Brussels sprouts, a head of broccoli, several red and yellow tomatoes, a bunch of white onions, and several yellow potatoes. The lighting is bright, highlighting the textures and colors of the produce.

05

KEY
INDIVIDUALS,
INTERESTS
AND
BENEFITS

KEY INDIVIDUALS, INTERESTS AND BENEFITS


The Company is very cognizant of investor expectations with respect to governance and communication. In that regard, the majority of the Board is constituted of Australian resident Directors who have extensive skills and experience in both business operations and governance. The Board and senior management have a broad base of experience covering operational, technical, corporate and commercial backgrounds spanning a number of decades across a range of different industries. The Board is well positioned to implement, oversee and monitor the Company's strategic objectives.


5.1 Board of Directors and Management Team

At Listing, the Board will comprise five members, consisting of one Executive Chairman, two Executive Directors and two Independent, Non-Executive Directors. The following table provides information regarding the Directors and the management team, including their positions and expertise.


	Experience
 <p>Qingkai Li Executive Chairman and CEO</p>	<p>Mr Li possesses extensive skills and experience in rural agricultural development and championing agricultural development. As the PRC National People's Congress representative of Qingzhou City, Mr Li is dedicated to agricultural technology development and promoting food safety.</p> <p>Mr Li has served public interest in his position at the Qingzhou City Public Security Bureau from 1991 to 2008. In 2010 he established the Qingzhou Jiajiafu Fruit and Vegetable Professional Cooperative, of which he acted as the Chairman. In 2011, he founded Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd.</p> <p>Combining his skills and expertise in agriculture and business development with his public interests experience, Mr Li contributes towards development of the national vegetable safety and quality standards by the Chinese Ministry of Agriculture and innovative developments in national youth's food safety technology. Mr Li is a participant in a number of pilot programs, including the Shandong province financial cooperative, land management initiatives supported by state loans and standardisation of agricultural industrial development.</p>
Expertise / Qualifications	<ul style="list-style-type: none"> • Graduate Diploma in Business Management
Location	Shandong, China
Independence or affiliations	Not independent, founding Shareholder and Chief Executive Officer
Legal or disciplinary action	Nil
Insolvent companies	Nil

	Experience
 <p>Peter (Yap Ting) Wong Non-Executive Director</p>	<p>A Chartered Accountant by profession, Mr Wong is a 30-year veteran in the financial services industry. He has gained extensive experience across a wide spectrum of business functions such as audit, taxation, finance, operations, technology, HR, risk management, compliance and control.</p> <p>Mr Wong started his career in the accounting profession in 1984 and trained with two major international accounting firms: Deloitte and Price Waterhouse Coopers. He subsequently joined several large corporations where he took up senior positions managing large portfolios of functions and people. The companies he has worked with include Citibank, Hong Leong Group (Malaysia), Hong Kong Stock Exchange and Hong Kong Telecom. Before coming to Australia, Mr Wong was in Shanghai, China where he spent 3 years with Citibank China and another 2 years with Shanghai Pudong Development Bank, a strategic partner of Citibank. He has travelled extensively within China conducting seminars and giving advice to the staff and management of the Chinese bank.</p> <p>Having worked in England, Hong Kong, Malaysia, China and Australia, Mr Wong is familiar with the different financial and business practices across Asia. He is well equipped to advise clients on cross-border trade and investment. He focuses on providing financial, taxation and investment advice to Australian and Asian enterprises wanting to invest or do business in the Asia-Pacific region.</p>
Expertise / Qualifications	<ul style="list-style-type: none"> • Fellow Chartered Accountant (England & Wales) • Fellow Chartered Accountant (Australia & New Zealand) • Chartered Tax Advisor (Tax Institute of Australia) • Registered Tax Agent (Australia) • MBA, BSc
Location	Sydney, Australia
Independence or affiliations	Independent, Non-Executive Director
Legal or disciplinary action	Nil
Insolvent companies	Nil

Experience	
 <p>Zhiguo Li Non-Executive Director</p>	<p>Mr. Li has extensive experiences in financial services, trade and investment sectors.</p> <p>He worked with AIMS financial groups as a director for China market and successfully facilitated two companies' listings on Sydney Stock Exchange (SSX) which are Sane Building Materials Technology and Australia Santia Jinnai Culture Development. He was also in an important role involving SIV fund and REIT matters.</p> <p>Prior to that Mr. Li has worked with Australian Trade Commission based in China for 5 years. His role crosses all trade and investment areas between China and Australia. He helped many Australian companies export their products and services to China and also facilitated Chinese companies' investments in Australia. He co-organised and facilitated many high level government official delegations and trade missions which include current China's Vice Prime Minister's visit to Australia, former Prime Minister Mr. John Howard's visit to Guangzhou, former Prime Minister Mr. Kevin Rudd's visit to China, and former Deputy Prime Minister and Australian Treasurer Mr. Wayne Swan's visit to Guangzhou.</p> <p>Mr Li finished his Bachelor of Science in Beijing Jiaotong University in China and his master degree in Wollongong University. He is currently undertaking his PhD degree in UTS on a part-time basis.</p>
Expertise / Qualifications	<ul style="list-style-type: none"> • Bachelor of Science • Master of Computer Science
Location	Australia
Independence or affiliations	Independent, Non-Executive Director
Legal or disciplinary action	Nil
Insolvent companies	Nil

Experience	
 <p>Nicholas Ong Non-Executive Director, Company Secretary</p>	<p>Mr Ong was a Principal Adviser at the Australian Securities Exchange in Perth and brings 12 years' experience in listing rules compliance and corporate governance. He has overseen the admission of over 100 companies to the official list of the ASX.</p> <p>Mr Ong now runs a boutique corporate advisory firm in Perth, Western Australia. He is a member of the Governance Institute of Australia and holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia.</p> <p>Mr Ong is currently a director of Excelsior Gold Limited, Segue Resources Limited and Co Assets Limited and is company secretary to three listed companies.</p>
Expertise / Qualifications	<ul style="list-style-type: none"> • Bachelor of Commerce • Graduate Diploma of Applied Finance • Graduate Diploma of Applied Corporate Governance • Member of Institute of Chartered Secretaries and Administrators (ACIS) • Associate of Government Institute of Australia (AGIA) • MBA
Location	Australia
Independence or affiliations	Independent, Non-Executive Director
Legal or disciplinary action	Nil
Insolvent companies	Nil

Experience	
 <p>Wenyuan Zhao Executive Director</p>	<p>Mr. Zhao has experience in management of the financial and cross-border trading-related aspects of businesses. He has 10 years experience working in the Guard Bureau of Guangdong Province. In 2012, Mr. Zhao was employed by Guangdong Asset Management Limited in Guangdong, China. Since 2013, Mr. Zhao has been employed as the deputy director of the office at the Kingold Group.</p> <p>Mr. Zhao also has experience in the agribusiness industry. He is a member of the Shandong Fresh Produce Association, a director of Shandong Association of Agricultural Logistics, an executive director of the Weifang Fresh Produce Association, and the Vice Chairman of the Qingzhou Fresh Produce Association.</p>
Expertise / Qualifications	<ul style="list-style-type: none"> Professional training in technology and management
Location	Sydney, Australia
Independence or affiliations	Not independent, Executive Director
Legal or disciplinary action	Nil
Insolvent companies	Nil

Experience	
 <p>Susan Zhang Chief Financial Officer</p>	<p>Ms Zhang is a qualified CPA and has been working in public practices and corporate environment over sixteen years in Australia.</p> <p>Ms Zhang holds Bachelor of Law, Master of Law from East China Normal University in China and a Master of Practising Accounting from Monash University in Australia.</p> <p>Having worked in a couple of public practices, ANZ bank and Blackrock in Australia from 2001 to 2013, she has built extensive ties with government, finance, enterprises, laws and medias, and gained rich experience in financial management, accounting and tax advisory.</p> <p>Ms Zhang now runs Reising Consulting Services Pty Ltd, a local accounting and taxation firm based in Sydney since 2013. She is familiar with accounting policies and tax law and devoting herself to provide professional tax planning, business advisory and financial management services to Australian enterprises.</p>
Expertise / Qualifications	<ul style="list-style-type: none"> Certified Practising Accountant (CPA) Australia; Registered tax agent Registered ASIC agent NTAA member
Location	Sydney, Australia
Legal or disciplinary action	Nil
Insolvent companies	Nil

5.2 Interests and benefits

This Section sets out the extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- financial services licensee involved in the Offer; or
- promoter of the Company,

holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- the property acquired or proposed to be acquired by JJF in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of JJF.

5.2.1 Directors' and managements' interests and remuneration

(a) Non-Executive Directors' remuneration

The Directors decide the total amount paid to each Director as remuneration for their services. 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 A\$105,000 per annum. Annual fees agreed to be paid to the Non-Executive Directors are A\$35,000 per annum to each Non-Executive Director. All Directors fees include superannuation at the statutory rate.

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 the capacity as a Director of the company.

There are no retirement benefit schemes for Directors other than statutory superannuation contributions.

(b) Executive Chairman and CEO remuneration – Mr Qingkai Li

Mr Li is Executive Chairman and CEO of the Group. From 21 March 2016, Mr Li will receive an annual fixed remuneration of A\$25,000. Pursuant to Mr Li's labour contract, Mr Li may resign from his position by giving 6 months' notice in writing. Mr Li's employment may be terminated by his employer (a member of the Group) by giving 6 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Mr Li's employment contract may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Li's labour contract (whether by resignation or termination), Mr Li 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.

(c) Executive Director remuneration – Mr Wenyuan Zhao

Mr Zhao is Executive Director of the Group. From 21 March 2016, Mr Zhao will receive an annual fixed remuneration of A\$25,000. Pursuant to Mr Zhao's labour contract, Mr Zhao may resign from his position by giving 6 months' notice in writing. Mr Zhao's employment may be terminated by his employer (a member of the Group) by giving 6 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Mr Zhao's employment contract may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Zhao's labour contract (whether by resignation or termination), Mr Zhao 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) Company Secretary remuneration – Mr Nicholas Ong

Mr Ong is Company Secretary of the Group. From 6 April 2016, Mr Ong will receive an annual fixed remuneration of A\$20,000 as the Company Secretary. Pursuant to Mr Ong's labour contract, Mr Ong may resign from his position by giving 6 months' notice in writing. Mr Ong's employment may be terminated by his employer (a member of the Group) by giving 6 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Mr Ong's employment contract may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Mr Ong's labour contract (whether by resignation or termination), Mr Ong 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.

(e) Chief Financial Officer remuneration – Ms Susan Zhang

Ms Zhang is the CFO of the Group. From 25 July 2016, Ms Zhang will receive an annual fixed remuneration of A\$35,000. Pursuant to Ms Zhang's labour contract, Ms Zhang may resign from her position by giving 6 months' notice in writing. Ms Zhang's employment may be terminated by her employer by giving 6 months' notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Ms Zhang's employment contract may be terminated immediately by notice in writing and without payment in lieu of notice. Upon the termination of Ms Zhang's labour contract (whether by resignation or termination), Ms Zhang 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.

(f) Directors' and managements' interest in Shares and other securities

Directors and the Company Secretary's interests' at the date of this Prospectus are as follows.

Name	Role	Shares
Qingkai Li	Executive Chairman and CEO	23,263,102 ¹
Wenyuan Zhao	Executive Director	12,632,629 ²
Peter (Yap Ting) Wong	Non-Executive Director	Nil
Zhiguo Li	Non-Executive Director	Nil
Nicholas Ong	Non-Executive Director and Company Secretary	Nil
Susan Zhang	CFO	Nil

1. Qingkai Li's Shares are indirectly owned through JuXin Holding Limited, a company in which Qingkai Li holds 42.27% of the ordinary shares.

2. Wenyuan Zhao's Shares are indirectly owned through JuXin Holding Limited, a company in which Wenyuan Zhao holds 22.954% of the ordinary shares.

5.2.2 Interests of advisers

The following entities have been engaged as professional advisers to various members of the Group for the purposes of the Offer. The details of work provided and the fees payable are summarised below.

Adviser	Role	Fee (exclusive of tax) ²
AGC Capital Securities Pty Ltd	Lead Manager to the Offer	A\$700,000 ¹
	Corporate Adviser of the Company	A\$450,000 ¹

Adviser	Role	Fee (exclusive of tax) ²
Baker & McKenzie	Australian legal adviser to the Company in connection with the Offer and has performed work in relation to due diligence enquiries on Australian legal matters	A\$340,000
Grandall Law Firm	Chinese legal adviser to the Company in connection with the Offer and has performed work in relation to due diligence enquiries on Chinese legal matters	RMB 650,000 (A\$126,304) (at exchange rate AUD\$ 1 : RMB 5.15)
Patrick Mak & Tse	Hong Kong legal adviser to the Company and has performed the work in relation to due diligence enquiries on Hong Kong legal matters	HK\$25,000 (A\$4,313) (at exchange rate AUD\$ 1 : HKD 5.80)
BDO Corporate Finance (East Coast) Pty Ltd	Investigating Accountant to the Company and has prepared the Investigating Accountant's Report in Section 7	A\$77,500
BDO East Coast Partnership	Australian tax advisers to the Company and has prepared the Taxation Report for the Company	A\$2,000
Frost & Sullivan Australia Pty Ltd	Independent expert to the Group and has prepared the Independent Market Report in Section 3	HK\$95,000 (A\$16,389) (at exchange rate AUD\$ 1 : HKD 5.80)

1. Amount is based on the assumption that the Maximum Subscription is raised under the Offer.

2. Amount is based on the assumption that the Maximum Subscription is raised under the Offer. AGC Capital Securities Pty Ltd has also been issued 2,758,507 ordinary shares in the Company in consideration of the corporate advisory services provided through Zhang Teng Bo Run Investment Ltd and Butterfly Wings 1501 Limited.

3. These amounts and other expenses of the Offer will be paid by the Company (or one of its subsidiaries) out of funds raised under the Offer. Further information on the use of proceeds from the Offer and costs of the Offer are set out in Sections 1.7 and 9.10 respectively.

5.3 Corporate governance

The Board of JJF is cognizant of the need for a well-articulated and robust corporate governance framework and believes that good corporate governance is essential to the preservation and enhancement of Shareholder value. The Board believes that the success of the business is strengthened by implementing clearly articulated policies to enhance accountability, efficiency and the reliable measurement of performance.

The Board has adopted a Board Charter (**Charter**), which sets out the key corporate governance principles and procedures of JJF. The Charter and other corporate governance documents are available on the Company's website at www.jjfma.com/gs.html. These key documents will be kept under review by the Board and amended from time to time.

The Charter and the other governance measures adopted reflect the Board's endorsement of the recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations, 3rd edition, 2014 (**Principles**). Those Principles marked with a ⊙ either have not been fully implemented or are to be addressed during the FY2017 reporting year. The commentary addresses the reasons for the departure from the requirements.

Principle 1 – Lay solid foundations for management and oversight		
1.1	The Board has outlined in its Charter, its roles and responsibilities and has established a clear distinction between its functions and those delegated to management.	✓
1.2	Appropriate checks including criminal record checks have been carried out on all Board members prior to their appointment. The Company will provide Shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings	✓
1.3	All Directors and senior executives have a written agreement with the Company setting out the terms of their appointment.	✓
1.4	The Company Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board.	✓
1.5	The Board has adopted a Diversity Policy (a copy of which is on the Company's website). The Diversity Policy requires the Board to set measurable objectives for obtaining gender diversity. The Board has not yet set measurable objectives but intends to review the diversity statistics within the Company and use those measures to formulate measurable objectives.	⊙
1.6	At least once per year the Board will, with the advice and assistance of the remuneration and nomination committee (RNC), review and evaluate the performance of the Board, each Board committee and each individual Director against the relevant charters, corporate governance policies, and agreed goals and objectives.	✓
1.7	Performance reviews for Executive Directors and Senior Management will take place at least annually. The RNC has accountability in its Charter to oversee these reviews and report to the Board on their outcomes. The Company intends to ensure the appropriate disclosures in the remuneration report are made in relation to each reporting period as to the performance evaluations that were undertaken and the process that was followed.	✓

Principle 2 – Structure the Board to add value		
2.1	The Board has formed a Remuneration and Nomination Committee. The charter for the Remuneration and Nomination Committee is available on the Company's website. Membership of the Remuneration and Nomination Committee is: Peter Wong, Qingkai Li and Nicholas Ong.	✓
2.2	In establishing the Board of JJF, regard was had to the skills and expertise required of the Directors relevant to JJF's business, its listing in Australia and operations in China. Directors with the desired skills and expertise were carefully selected for appointment to the Board.	✓
2.3 & 2.4	The Board Charter sets out the criteria adopted by the Board for considering if a Director is independent. The Board is comprised of five members, three of whom are independent. Nicholas Ong, Peter Wong and Zhiguo Li are considered independent as none of them has a material shareholding in the Company or is an adviser or supplier to the Company or has any other material contractual relationship with the Company other than their position as a Director.	✓
2.5	The Board recognises the recommendation that the chairman should be an independent Non-Executive Director. However, the Board believes that Mr. Qingkai Li is the most appropriate person to act as Chairman and lead the Board given his extensive experience and application of sound judgment to issues falling within the scope of the role of Chairman. Further, Mr. Li has unmatched and extensive knowledge of the Group's operations and important business relationships that the Group as a whole benefits from.	⊙
2.6	All Non-Executive Directors have had an extensive induction into the business of the Company prior to accepting their appointment and have received continuing information on the Company and its operations since being appointed. Directors are also given access to continuing education in relation to the Company extending to its business, the industry in which it operates, and other information required by them to discharge the responsibilities of their office.	✓

Principle 3 – Act ethically and responsibly		
3.1	The Board has adopted a code of conduct applicable to all Directors, senior executives and employees, a copy of which is disclosed on the Company's website.	✓

Principle 4 – Safeguard integrity in financial reporting		
4.1	The Board has established an audit and risk committee (ARC). The audit and risk committee is comprised a majority of Non-Executive Directors. Its composition being Peter Wong, Nicholas Ong and Zhiguo Li. The qualifications of the members of the audit and risk committee are set out in the Prospectus in Section 5.1. A copy of the audit and risk committee's charter is on the Company's website.	✓
4.2	The Board of JJF has not yet had to approve the entity's financial statements for a financial period and accordingly has not been required to receive relevant declarations from the CEO and CFO in respect of the financial records of the JJF Group. It is the intention of the Board that these declarations will be required for both the half-year and full-year results and this fact has been communicated to both the CEO and CFO	⊙
4.3	JJF has not yet held an Annual General Meeting (AGM) but it is the intention of the Board to ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.	⊙

Principle 5 – Make timely and balanced disclosure		
5.1	The Board has established a written continuous disclosure policy to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability for compliance. Each Board meeting considers whether any continuous disclosure issues arose during the course of the meeting. The continuous disclosure policy is on the Company's website.	✓

Principle 6 – Respect the rights of Shareholders		
6.1	JJF has established an English website which provides information about the JJF Group, Directors and executives, key governance policies and other information relevant to its investors. The website will be a key communication tool between the Company and the Shareholders.	✓
6.2	JJF has not yet designed and implemented an investor relations program to facilitate effective two-way communication with investors, however, the Board recognises its importance and will put in place a tailored program following the Completion.	⊙
6.3	The Board has adopted a Shareholder Communication Policy and will provide Shareholders with opportunities to have questions addressed at Shareholder meetings, irrespective of whether the Shareholder is able to attend. A copy of the Shareholder Communication Policy is on the Company's website.	✓
6.4	All Shareholders of JJF will be able to communicate with the Company and its share registry electronically and in fact this method of communication is encouraged.	✓

Principle 7 – Recognise and manage risk

7.1	<p>The Board has established a combined audit and risk committee. The audit and risk committee is comprised a majority of Non-Executive Directors. Its composition being Peter Wong, Nicholas Ong and Zhiguo Li. The qualifications of the members of the audit and risk committee are set out in the Prospectus in Section 5.1.</p> <p>A copy of the audit and risk committee's charter is on the Company's website.</p>	✓
7.2	<p>The risk management framework for the JJF Group has not yet been formally reviewed by the Board but the Board has requested a report from management by December 2017. The Board has appointed the ARC to assist it with discharging its oversight function in respect of material business risks and to determine if the system of risk management is sound. Outcomes of those reviews will be reported in the corporate governance statement annually.</p>	⊙
7.3	<p>The JJF Group has various quality assurance functions throughout the business but not a dedicated internal audit function. It is the Board's intention that the ARC reviews the need for an internal audit function, the scope of any function should one be required and whether it will be insourced or outsourced. The outcome of the review will be reported in the Company's annual report.</p>	⊙
7.4	<p>As mentioned under Principle 7.2, the Board expects a report on the risk management framework in December 2017 and has requested that management address economic, environmental and sustainability risks. The outcome of that review will be reported in the Company's annual report.</p>	⊙

Principle 8 – Remunerate fairly and responsibly

8.1	<p>The Board has formed a combined Remuneration and Nomination Committee. Membership of the Remuneration and Nomination Committee is: Peter Wong, Nicholas Ong and Zhiguo Li. A copy of the charter for the RNC is provided on the company's website. The qualifications of the members of the Remuneration and Nomination Committee are set out in the Prospectus in Section 5.1.</p> <p>A copy of the charter for the RNC is provided on the Company's website.</p>	✓
8.2	<p>The Board has adopted a remuneration policy for Non-Executive Directors. A remuneration policy for Executive Directors and other senior executives will be developed post Completion. A copy of the Non-Executive Director remuneration policy is provided on the Company's website.</p>	✓
8.3	<p>The Company's Securities Trading Policy prohibits participants of any equity-based remuneration scheme entering into transactions which limits the economic risk of a participant.</p>	✓



06

FINANCIAL
INFORMATION



FINANCIAL INFORMATION

6.1 Introduction

This Section contains a summary of the historical financial information of Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd (**JJF China**) and its controlled entities (**JJF China Group**) and pro forma historical financial information of Jiajiafu Modern Agriculture Limited and its controlled entities (**JJF** or the **Company**) (collectively the **Financial Information**), which has been prepared by the Directors of JJF.

The Historical Financial Information comprises the:

- JJF China Group historical consolidated Statements of Profit or Loss and Other Comprehensive Income for the financial years ended 31 December 2013 (**FY2013**), 31 December 2014 (**FY2014**) and 31 December 2015 (**FY2015**) and the six months period ended 30 June 2016 (1H2016) (**Historical consolidated Statements of Profit or Loss and Other Comprehensive Income**); and
- JJF China Group historical consolidated Statements of Cash Flows for FY2013, FY2014, FY2015 and 1H2016 (**Historical consolidated Statements of Cash Flows**).

The Pro Forma Historical Financial Information comprises the:

- JJF pro forma historical consolidated Statement of Financial Position as at 30 June 2016 (**Pro forma historical consolidated Statement of Financial Position**).

The Historical Financial Information has been audited by BDO East Coast Partnership (**BDO**), and the Pro Forma Historical Financial Information has been reviewed by BDO Corporate Finance (East Coast) Pty Ltd (**BDO Corporate Finance**). BDO Corporate Finance's Investigating Accountant's Report on the Pro Forma Historical Financial Information is contained in Section 7. Investors should note the scope and limitations of that report (refer to Section 7).

Also summarised in this Section are:

Table 1: Overview of Financial Information

Section	Heading
6.2	Basis of Preparation and Presentation of the Financial Information
6.3	Historical consolidated Statements of Profit or Loss and Other Comprehensive Income
6.4	Historical consolidated Statements of Cash Flows
6.5	Pro Forma historical consolidated Statement of Financial Position
6.6	Management Discussion and Analysis of the Financial Information
6.7	Debt facilities
6.8	Lease commitments
6.9	Liquidity and Capital Resources
6.10	Dividend Policy
6.11	Significant Accounting Policies
6.12	Critical accounting judgements, estimates and assumptions

The information in this Section 6 should be read in conjunction with the risk factors set out in Section 8 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars, and unless otherwise noted, are rounded to the nearest thousand dollars.

6.2 Basis of Preparation and Presentation of the Financial Information

6.2.1 Overview

The Directors of JJF are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board, and the accounting policies of the Company. The Financial Information and accompanying commentary presented in this Section has also been disclosed with consideration to regulatory guidance issued by ASIC.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In preparing the Financial Information, the accounting policies of the Company have been applied consistently throughout the periods presented. The significant accounting policies of JJF relevant to the Financial Information are set out in Section 6.11.

The Directors have considered ASIC Regulatory Guide 170, and having regard to the requirements of this Regulatory Guide, note any prospective financial information would contain a broad range of potential outcomes and possibilities such that the Directors have concluded JJF cannot include prospective financial information in this Prospectus.

6.2.2 Preparation of Historical Financial Information

The Historical Financial Information has been extracted from the consolidated financial statements of JJF China Group for FY2013, FY2014, FY2015 and 1H2016.

The financial statements of JJF China Group for FY2013, FY2014, FY2015 and 1H2016 were each audited by BDO. BDO issued qualified audit opinions in respect of FY2013, FY2014 and FY2015 because BDO were appointed after the year ended 31 December 2014 and hence were not able to observe the counting of the physical inventories at each reporting period prior to 31 December 2015. As the opening and closing inventory balances affect the determination of the results of operations, BDO were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for each of FY2013, FY2014 and FY2015. BDO's audit opinions on the financial reports in respect of each of these years were modified accordingly. There was no modification to the BDO audit opinion for the year ended 31 December 2015 in respect of the closing inventory balance as at 31 December 2015.

The financial statements of JJF China Group for 1H2016 were audited by BDO, who have issued an unqualified audit opinion on these financial statements.

In each of FY2013, FY2014, FY2015 and 1H2016 BDO's audit report included an emphasis of matter paragraph in respect of the circumstances to support the recognition of property, plant and equipment where legal title is pending. BDO's audit opinions were not modified in respect of this matter.

6.2.3 Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus, and has been extracted from the consolidated financial statements of JJF China Group with adjustments applied to reflect the Company's capital structure that will be in place following completion of the Offer. Refer to Section 6.5 for a reconciliation between the Pro Forma Historical Financial Information and the statutory equivalent financial information.

On 13 April 2016, an internal restructure was completed resulting in a newly incorporated company, JJF, becoming the legal parent of the JJF China.

The Directors have elected to account for the restructure as a capital re-organisation rather than a business combination. In the Directors' judgement, the continuation of existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the internal restructure.

As such, the consolidated financial statements of JJF will be presented as a continuation of the pre-existing accounting values of assets and liabilities in the JJF China Group financial statements with JJF China Group deemed to be the acquirer for accounting purposes.

In adopting this approach the Directors note that there is an alternate view that such a restructure could be accounted as a business combination, with JJF being the acquirer. An IASB project on accounting for common control transactions is likely to address such restructures in the future. However, the precise nature of any new requirements and the timing of these are uncertain. In any event, history indicates that any potential changes are unlikely to require retrospective amendments to the financial statements.

The Pro Forma Historical Financial Information presented in this Prospectus has been reviewed by BDO Corporate Finance. Investors should note the scope and limitations of BDO Corporate Finance's Investigating Accountant's Report (refer to Section 7).

6.2.4 Explanation of certain non-IFRS and other financial measures

The Company uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to as 'non-IFRS financial measures'. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with the IFRS and not as a substitute for those measures. As non-IFRS financial measures are not defined by the recognised body of accounting standards, they do not have a prescribed meaning and the way that the Company calculates them may be different to the way that other companies calculate similarly titled measures. Readers should therefore not place undue reliance on non-IFRS financial information.

In the disclosures in this Prospectus, the Company uses the following non-IFRS measures of performance to assist prospective investors with understanding the trends in financial performance and profitability.

- **Gross profit** is calculated as revenue less costs of sales;
- **EBITDA** is earnings before interest, tax, depreciation and amortisation expenses; and
- **EBIT** is earnings before interest and tax expenses.

6.3 Historical consolidated Statements of Profit or Loss and Other Comprehensive Income

Set out below is a summary of JJF China Group's historical consolidated Statements of Profit or Loss and Other Comprehensive Income for FY2013, FY2014, FY2015 and 1H2016.

Table 2: JJF China Group historical consolidated Statements of Profit or Loss and Other Comprehensive Income

\$000	Historical			
	FY2013 Audited	FY2014 Audited	FY2015 Audited	1H2016 Audited
Revenue from continuing operations	20,337	22,353	28,100	17,539
Cost of Sales (COS)	(18,059)	(19,700)	(24,049)	(15,086)
Gross profit	2,278	2,653	4,051	2,453
Share of profits from interests in associates	–	44	65	38
Sales and marketing expenses	(212)	(314)	(548)	(236)
Administration expenses	(99)	(321)	(1,355)	(324)
Other expenses	(1)	(0)	(4)	(1)
EBITDA	1,966	2,062	2,210	1,930
Depreciation	(500)	(835)	(1,043)	(996)
EBIT	1,467	1,227	1,167	934
Net interest expense	(40)	(61)	(73)	(215)
Net profit before tax	1,427	1,166	1,094	718
Taxation expense	–	–	–	–
Net profit after tax from continuing operations	1,427	1,166	1,094	718
Profit for the period from discontinued operations ²	–	80	759	–
Profit for the period	1,427	1,246	1,853	718
Other comprehensive income, net of tax	821	1,419	235	(1,289)
Total comprehensive income	2,248	2,665	2,088	(571)

Notes:

- All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest A\$1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.
- On 1 July 2015, JJF China sold Qingzhou JiaJiaFu Fruit & Vegetable Supermarket Co Ltd (incorporated in April 2014), Qingzhou JiaJiaFu Agriculture Supermarket Co Ltd (incorporated in April 2014) and Qingzhou Huifeng Green House Material Co Ltd (acquired in August 2014).



6.4 Historical consolidated Statements of Cash Flows

Set out below is a summary of JJF China Group's historical consolidated Statements of Cash Flows for FY2013, FY2014, FY2015 and 1H2016.

Table 3: JJF China Group historical consolidated Statements of Cash Flows

\$000	Historical			
	FY2013 Audited	FY2014 Audited	FY2015 Audited	1H2016 Audited
Receipts from customers	20,648	22,810	29,937	16,760
Payments to suppliers	(18,953)	(24,579)	(31,763)	(17,452)
Net cash flow from operating activities before investing activities, financing activities and tax	1,696	(1,769)	(1,826)	(693)
Purchase of property, plant and equipment	(2,821)	(209)	(3,376)	(3,339)
Prepayments for assets leased	(336)	(242)	–	(2,362)
Payment for intangibles	–	–	(56)	–
Payments for investments	(1,501)	(3,183)	–	–
Loans to associates	–	–	(182)	(3,212)
Repayments from associates	–	–	–	1,860
(Cash disposed due to)/Proceeds from the sales of subsidiaries	–	–	(8)	4,191
Net cash flow before interest, tax and financing activities	(2,962)	(5,403)	(5,448)	(3,554)
Net Proceeds/(repayment) of borrowings	500	90	(34)	4,170
Proceeds from issue of shares	2,502	5,409	5,516	6,637
Net interest	(40)	(61)	(54)	(127)
Taxation paid	–	(4)	–	–
Dividends paid	–	–	–	–
Net cash flow	(1)	31	(21)	7,126

Notes:

1. All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest A\$1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.

6.5 Pro Forma historical consolidated Statement of Financial Position

6.5.1 Overview

Set out in the table below are the adjustments that have been made to the audited consolidated Statement of Financial Position of JJF China Group as at 30 June 2016 to present the pro forma consolidated Statement of Financial Position of the Company. The adjustments include the impact of the change in capital structure that will be in place immediately following completion of the Offer, as if the Offer had occurred as at 30 June 2016. These adjustments include assumptions relating to matters that are known as at the date of the Prospectus.

Table 4: JJF pro forma historical consolidated Statement of Financial Position as at 30 June 2016

A\$000	JJF China Group 30 June 2016 Audited	Notes	Pro forma historical consolidated Statement of Financial Position (Minimum subscription)		Pro forma historical consolidated Statement of Financial Position (Maximum subscription)	
			Pro forma adjustments	as at 30 June 2016	Pro forma adjustments	as at 30 June 2016
Assets						
Current assets						
Cash and cash equivalents	6,942	1	636	7,578	4,288	11,230
Trade and other receivables	3,725		–	3,725	–	3,725
Inventories	10		–	10	–	10
Prepayments	3,377	2	(301)	3,075	(301)	3,075
Biological assets	872		–	872	–	872
Total current assets	14,927		334	15,261	3,987	18,914
Non-current assets						
Investments	3,986		–	3,986	–	3,986
Property, plant and equipment	13,174	3	3,570	16,744	3,570	16,744
Prepaid lease assets	2,691		–	2,691	–	2,691
Deferred tax assets	–		–	–	–	–
Intangible assets	56		–	56	–	56
Total non-current assets	19,908		3,570	23,478	3,570	23,478
Total assets	34,835		3,904	38,739	7,557	42,392
Current liabilities						
Trade and other payables	(583)		–	(583)	–	(583)
Borrowings	(4,730)	4	272	(4,458)	272	(4,458)
Total current liabilities	(5,313)		272	(5,041)	272	(5,041)
Non-current liabilities						
Other payables	(10)		–	(10)	–	(10)
Deferred revenue	(256)		–	(256)	–	(256)
Total non-current liabilities	(267)		–	(267)	–	(267)
Total liabilities	(5,579)		272	(5,308)	272	(5,308)
Net assets	29,256		4,176	33,431	7,828	37,084
Equity						
Share capital	20,823	5	5,190	26,013	8,843	29,666
Other reserves	1,197		–	1,197	–	1,197
Share based payment reserve	632	6	(632)	–	(632)	–
Retained earnings	6,604	7	(382)	6,222	(382)	6,221
Total equity	29,256		4,176	33,431	7,828	37,084

Notes:

1. All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest A\$1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.

6.5.2 Pro forma adjustments to Statement of Financial Position

Note 1 – Cash and cash equivalents

CASH AND CASH EQUIVALENTS A\$000	Pro forma after Offer	
	Minimum	Maximum
Audited balance of JJF China Group as at 30 June 2016	6,942	6,942
<i>Pro-forma adjustments:</i>		
Repayment of bank borrowings subsequent to 30 June 2016	(272)	(272)
Purchase of greenhouses subsequent to 30 June 2016	(3,570)	(3,570)
Proceeds from shares issued under the Offer	5,100	9,000
Offer costs	(623)	(870)
	636	4,288
Pro-forma Balance	7,578	11,230

Subsequent to 30 June 2016 JJF China has purchased 60 greenhouses for A\$3,569,796 and repaid bank facilities of A\$271,563. The Offer is expected to raise a minimum of A\$5.1 million and a maximum of A\$9.0 million before payment of Offer costs. Offer costs incurred subsequent to 30 June 2016 are expected to total between approximately A\$0.6 million (minimum) and A\$0.9 million (maximum) (inclusive of non-recoverable GST where applicable).

Note 2 – Prepayments

PREPAYMENTS A\$000	Pro forma after Offer	
	Minimum	Maximum
Audited balance of JJF China Group as at 30 June 2016	3,377	3,377
<i>Pro-forma adjustments:</i>		
Transfer of prepaid Offer costs to issued capital	(301)	(301)
	(301)	(301)
Pro-forma Balance	3,075	3,075

Amounts of offer costs incurred prior to 30 June 2016 have been recognised as a prepayment, to the extent to which they are in relation to the issuance of new capital. These amounts will be transferred to issued capital upon completion of the offer.

Note 3 – Property Plant and Equipment

Property Plant and Equipment A\$000	Pro forma after Offer	
	Minimum	Maximum
Audited balance of JJF China Group as at 30 June 2016	13,174	13,174
<i>Pro-forma adjustments:</i>		
Purchase of greenhouses subsequent to 30 June 2016	3,570	3,570
	3,570	3,570
Pro-forma Balance	16,744	16,744

Subsequent to 30 June 2016, the consolidated entity purchased 60 greenhouses, the total acquisition cost was RMB 17,614,800 equivalent to A\$3,569,796.

Note 4 – Borrowings

Borrowings A\$000	Pro forma after Offer	
	Minimum	Maximum
Audited balance of JJF China Group as at 30 June 2016	(4,730)	(4,730)
<i>Pro-forma adjustments:</i>		
Repayment of bank facility subsequent to 30 June 16	272	272
	272	272
Pro-forma Balance	(4,458)	(4,458)

Subsequent to 30 June 2016, bank facilities from BOC Fudeng Village of RMB 1.34 million (equivalent to A\$271,563) were repaid.

Note 5 – Share Capital

SHARE CAPITAL A\$000	Pro forma after Offer	
	Minimum	Maximum
Audited balance of JJF China Group as at 30 June 2016	20,823	20,823
<i>Pro-forma adjustments:</i>		
Share based payments expense on equity settled advisor costs	248	248
Transfer of share based payments reserve to issued capital	632	632
Proceeds from shares issued under the Offer	5,100	9,000
Offer costs in relation to new equity raised	(790)	(1,037)
	5,190	8,843
Pro-forma Balance	26,013	29,666

On completion of the Offer the share based payment reserve in respect of equity settled advisor costs incurred to 30 June 2016 is transferred to share capital along with the remaining cost to be incurred. Prior to the Offer, JJF has paid up share capital of A\$20.8 million. Under the Offer the Company will raise a minimum of A\$5.1 million and a maximum of A\$9.0 million. Offer costs directly attributable to the new equity raised are booked against share capital, inclusive of Offer costs recognised as prepayments within note 2 above.

Note 6 – Share Based Payments Reserve

RETAINED EARNINGS A\$000	Pro forma after Offer	
	Minimum	Maximum
Audited balance of JJF China Group as at 30 June 2016	632	632
<i>Pro-forma adjustments:</i>		
Conversion of share based payments reserve relating to advisor fees on IPO to issued capital	(632)	(632)
	(632)	(632)
Pro-forma Balance	-	-

On completion of the Offer the share based payment reserve in respect of advisor fees settled in equity is transferred to share capital.

Note 7 – Retained Earnings

RETAINED EARNINGS A\$000	Pro forma after Offer	
	Minimum	Maximum
Audited balance of JJF China Group as at 30 June 2016	6,604	6,604
<i>Pro-forma adjustments:</i>		
Offer costs in relation to listing of existing equity	(382)	(383)
	(382)	(383)
Pro-forma Balance	6,222	6,221

Offer costs in relation to listing of existing equity presented in the table above represent the incremental costs incurred post 30 June 2016, including final cost of equity settled advisor fees to be recognised post 30 June 2016.

6.6 Management Discussion and Analysis of the Financial Information

The management discussion and analysis (*MD&A*) below relates to the JJF China Group historical consolidated Statements of Profit or Loss and Other Comprehensive Income and Statements of Cash Flows and should be read in conjunction with the description of the basis upon which the information has been prepared.

The MD&A provides a brief discussion of the general factors which affected JJF China Group's historical operating and financial performance between FY2013 and 1H2016. The discussion of these general factors is intended to provide a summary only and does not detail all the factors that affected JJF China Group's historical operating and financial performance.

The information in this Section should also be read in conjunction with the risk factors set out in Section 8 and other information contained in this Prospectus.

6.6.1 Year on year management discussion and analysis

(a) FY2013 compared to FY2014

Table 5: Selected financial performance and cash flow items

A\$000	Historical		
	FY2013 Audited	FY2014 Audited	Change (%)
Revenue	20,337	22,353	9.9%
Costs of Sales (COS)	(18,059)	(19,700)	9.1%

A\$000	Historical		
	FY2013 Audited	FY2014 Audited	Change (%)
Gross profit	2,278	2,653	16.5%
<i>Gross profit %</i>	11.2%	11.9%	
Share of profits from interest in associate	–	44	n/a
Operating expenses	(312)	(635)	103.9%
EBITDA	1,966	2,062	4.87%
<i>EBITDA %</i>	9.7%	9.2%	
EBIT	1,467	1,227	(16.34%)
<i>EBIT %</i>	7.2%	5.5%	

Revenue

Increase in revenue during FY2014 of 9.9% was attributable to new revenue streams being established throughout the period. New revenue streams were for retail sales of Fruit & Vegetable through the JIF supermarket, agricultural supermarket sales and construction fee income derived from works with Huifeng Greenhouse Construction company.

Gross profit %

GP margins remained comparable across both periods.

Operating expenses

Operating expenses increased by A\$323,000 primarily as a result of increased sales and marketing expenses and administrative expenses.

Sales and marketing expenses increased by A\$102,000 primarily due to increase in headcount from 30 employees to 41 employees.

Increase in administration expenses during the year of A\$222,000 was primarily attributable to A\$155,000 of costs incurred in relation to IPO costs.

EBITDA margins

EBITDA margins have declined from 9.7% in FY2013 to 9.2% in FY2014 driven by the increase in gross profit margins during the year being offset by the increase in operating expenses as a percentage of revenue from 1.5% in FY2013 to 2.8% in FY2014.

(b) FY2014 compared to FY2015

Table 6: Selected financial performance and cash flow items

A\$000	Historical		
	FY2014 Audited	FY2015 Audited	Change (%)
Revenue	22,353	28,100	25.7%
Costs of Sales (COS)	(19,700)	(24,049)	22.1%
Gross profit	2,653	4,051	52.7%
<i>Gross profit %</i>	11.9%	14.4%	
Share of profits from interest in associate	44	65	46.9%
Operating expenses	(635)	(1,906)	200.2%
EBITDA	2,062	2,210	7.2%
<i>EBITDA %</i>	9.2%	7.9%	
EBIT	1,227	1,167	(4.9%)
<i>EBIT %</i>	5.5%	4.2%	

Revenue

Revenue growth of 25.7% during the year was primarily driven by the growth in sales of pesticides and fertilisers. Further, an increase in available vacant farm land contributed to the Group operating at full capacity in terms of yield which also contributed to the revenue increase during the year.

Gross profit %

Improvement in gross profit margins from 11.9% in FY2014 to 14.4% in FY2015 was primarily driven by reductions in expenditure noted on vegetable produces throughout the period, whilst the increase in costs in relation to pesticides and fertilisers were offset by increases in revenues noted as per above.

Operating expenses

Sales and marketing expenses increased by A\$234,000 due to increase in headcount from 41 employees to 53 employees. Additionally, the sales commission rate increased during the year.

The increase in administration expenses from A\$0.3 million in FY2014 to A\$1.4 million in FY2015 was primarily attributable to the professional service fees incurred in relation to the capital raising of A\$1.0 million.

EBITDA margins

EBITDA margins have reduced from FY2014 to FY2015. This is primarily in relation to the impact from capital raising costs recognised throughout the period.

(c) 1H2015 compared to 1H2016

Table 7: Selected financial performance items

A\$000	Historical		
	1H2015 Unaudited	1H2016 Audited	Change (%)
Revenue	14,791	17,539	18.6%
Costs of Sales (COS)	(13,096)	(15,086)	15.2%
Gross profit	1,695	2,453	44.7%
<i>Gross profit %</i>	<i>11.5%</i>	<i>14.0%</i>	
Share of profits from interest in associate	49	38	(22.5)%
Operating expenses	(727)	(560)	(22.9)%
EBITDA	1,017	1,930	89.8%
<i>EBITDA %</i>	<i>4.6%</i>	<i>6.9%</i>	
EBIT	495	934	88.6%
<i>EBIT %</i>	<i>2.2%</i>	<i>3.3%</i>	

Notes:

(1) BDO has not reviewed or audited the financial information of JJF China Group for the six month ended 30 June 2015 (1H2015), which has been extracted from the 1H2016 JJF China Group financial statements.

Revenue

Revenue growth of 18.6% during the half year was primarily driven by the growth in sales of pesticides and fertilizers. Further, an increase in total production volume of approximately 7% was noted in 1H2016 versus the comparative period.

Gross profit %

Improvement in gross profit margins from 11.5% in 1H2015 to 14.0% in 1H2016 were primarily driven by increased margins noted on vegetable produces throughout the period, whilst the increase in costs in relation to pesticides and fertilisers were offset by increases in revenues noted as per above.

Operating expenses

Reductions in operating expenses were primarily as a result of a reduction in administration expenses of A\$0.2m. Reductions noted are in a relation to decreases attributable to the professional service fees incurred in relation to the capital raising.

EBITDA margins

EBITDA margins have improved from 4.6% in 1H2015 to 6.9% in 1H2016. This is as a result of increases in gross profit margins and a reduction in operating expenses as noted above.

6.7 Debt facilities

Immediately following completion of the Offer, the Company will have bank debt of A\$4.5 million comprised as follows. Unsecured loan from Bank of Weifang of RMB 2.0 million (equivalent to A\$405,318) which matures on 18 April 2017 with a fixed interest rate of 8.7% per annum. Loan of RMB 20.0 million (equivalent to A\$4,053,177) from Shanghai Pudong Development Bank with an annual interest rate of 6.525%. The loan will mature on 26 January 2017.

6.8 Lease commitments

As at 30 June 2016 the Company had the following operating lease commitments.

	A\$ 30 June 2016
No later than one year	1,843,625
Later than one year and not later than five years	4,883,252
Later than five years	7,081,826
	13,808,703

6.9 Liquidity and Capital Resources

Following Completion of the Offer, the Company's principal sources of funds will be cash flow from operations and proceeds from the Offer.

6.10 Dividend Policy

The ability to pay dividends depends on a number of factors. Dividends paid out of profits generated outside of Australia will be unfranked. The Directors do not provide any assurance of the future level of dividends or the extent to which they are franked, and there may be periods in respect of which dividends are not paid.

6.11 Significant Accounting Policies

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

6.11.1 Basis of preparation

The financial information has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**). The financial information also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board (**IASB**).

Going concern

As at 30 June 2016, the consolidated entity has an external borrowing balance of A\$4,053,177 from Shanghai Pudong Development Bank which is due for repayment on 26 January 2017. The ability of the consolidated entity to continue as a going concern is dependent on the consolidated entity successfully generating sufficient operating cash flows from its continuing operations for its working capital purposes including repayment of bank borrowings as and when they fall due.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The consolidated entity had A\$6,941,656 as cash and cash equivalents as at 30 June 2016;
- The consolidated entity has a track record of generating profits and is forecasting profits and cash generation from its continuing operations as per the budgets prepared;
- The consolidated entity's results for the 4 month period ended 31 October 2016 are tracking positively in achieving approximately A\$1,000,000 of profits before tax;
- The consolidated entity has approximately A\$4,500,000 as cash and cash equivalents as at 25 November 2016;
- The consolidated entity has a track record of obtaining and renegotiating bank borrowing facilities in prior periods and the ability to repay the facilities as and when they fall due; and
- The consolidated entity is confident of rolling over the bank borrowing facility from Shanghai Pudong Development Bank.

The directors have prepared budgets which demonstrate that based on the above factors, the consolidated entity has sufficient funds available to meet its commitments for at least twelve months from the date of signing this report.

Historical cost convention

The financial information has been prepared under the historical cost convention, except for biological assets, which are measured at fair value at each balance date.

Critical accounting estimates

The preparation of the financial information 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 information are disclosed in Section 6.12.

6.11.2 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 and the results of all subsidiaries for the period then ended.

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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.

6.11.3 Foreign currency translation

The financial information is presented in Australian dollars. The functional currency of Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd is Chinese Yuan 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 rate at the date of the transaction, 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.

6.11.4 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.

Sale 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.

Rendering of services

Rendering of services revenue from construction of greenhouses is recognised by reference to the stage of completion of the contracts.

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.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

6.11.5 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.

6.11.6 Current and non-current classification

Assets and liabilities are presented in the 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 in 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 in 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.

6.11.7 Cash and cash equivalents

Cash and cash equivalents includes 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.

6.11.8 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.

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

6.11.9 Associates

Associates are entities over which the entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the entity's share of net assets of the associate. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

6.11.10 Inventories

Raw materials are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs.

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.

6.11.11 Biological assets

Biological assets comprise vegetables that are to be harvested. 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 using the market approach by reference to the active market price, estimated agriculture produce and reasonable costs to sell. The active market price is based on the average historical selling price. The estimated agriculture produce used to derive the fair value is derived by the yield subsequent to the balance date. And the costs to sell include the incremental selling costs, mainly including sales rebates and other promotion expenses.

Changes in fair value of vegetables are recognised in cost of sales. Farming costs, such as farmland rental, labour costs fertilisers and pesticides, and appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity are capitalised as part of biological assets.

6.11.12 Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Buildings and plant facilities	5-50 years
Green house	5-20 years
Leasehold improvement	Over the lease term
Office and other equipment	3-10 years
Motor vehicles	8-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

6.11.13 Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The method and useful lives of finite life intangible assets are reviewed annually.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being the remaining term of the licence.

6.11.14 Prepaid lease assets

Prepaid rental of buildings

The Company prepaid rental to lease a building located in Heguan Town, a village in China. The prepaid rental are amortised using the straight-line method over the lease term, which is 50 years according to the lease contract.

Prepaid rental of farmland

The Company prepaid rental to lease farmland located in Bing Zhou, a city in China, with a lease term of 13 years. The prepaid rental are amortised throughout the lease term using the straight-line method.

6.11.15 Impairment of non-financial assets

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

6.11.16 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.

6.11.17 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.

6.11.18 Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

6.11.19 Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

6.11.20 Government grant

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.

6.11.21 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

6.11.22 Share based payments

The consolidated entity receives services from external parties for considerations that are paid for by equity instruments issued by the Company.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair value of service received is recognised as an expense when incurred, with a corresponding credit to share-based payment reserve in the Company's accounts.

6.11.23 Issued 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, net of tax, from the proceeds.

6.11.24 Chinese Value Added Tax (VAT) and Business Tax (BT)

According to Chinese tax regulations, agriculture products are exempted from VAT. Since all goods sold by the consolidated entity are agriculture products, the sales of goods of the consolidated entity are not subject to VAT.

Construction service revenue is subject to BT. Revenues are recognised including the amount of BT and BT is recognised as expense. The amount of BT incurred is not recoverable from the local tax office. In these circumstances, BT is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

6.11.25 New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (**OCI**). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' (**ECL**) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core 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 those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2019. The standard eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

6.12 Critical accounting judgements, estimates and assumptions

The preparation of the financial information requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial information. 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 within the next financial year are discussed below.

6.12.1 Estimation of useful lives

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

6.12.2 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.

6.12.3 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.

6.12.4 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.



07

INVESTIGATING
ACCOUNTANT'S
REPORT



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The Directors
Jiajiafu Modern Agriculture Limited
AMP Centre
Level 27, 50 Bridge Street
SYDNEY NSW 2000

1 December 2016

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

BDO Corporate Finance (East Coast) Pty Ltd ('**BDO Corporate Finance**') has been engaged by Jiajiafu Modern Agriculture Limited ("JMF" or "**the Company**") to prepare this Investigating Accountant's Report ('**Report**') in relation to certain financial information of the Company, for the initial public offering of shares in the Company which wholly owns Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd. and its controlled entities ("**JMF China Group**"), for inclusion in a prospectus proposed to be issued on or about 5 December 2016 ("**Prospectus**").

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

Scope

You have requested BDO Corporate Finance to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Prospectus.

The pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction other than Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Pro Forma Historical Financial Information

You have requested BDO Corporate Finance to perform limited assurance procedures in relation to the following pro forma historical financial information (the "**Pro Forma Historical Financial Information**") of the Company included in the Prospectus:

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247 420 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



- the pro forma historical consolidated Statement of Financial Position as at 30 June 2016.

The Pro Forma Historical Financial Information has been derived from the historical financial information of JJF China Group, after adjusting for the effects of pro forma adjustments described in section 6.5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 6.2 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the event(s) or transaction(s) described in Section 6.5 of the Prospectus on the Company's consolidated financial position as at 30 June 2016. As part of this process, information about JJF China Group's financial position has been extracted by the Company from the consolidated financial statements of JJF China Group for the six month period ended 30 June 2016.

The consolidated financial statements of JJF China Group for the six month period ended 30 June 2016 were audited by BDO East Coast Partnership in accordance with Australian Auditing Standards. BDO East Coast Partnership issued an unqualified audit opinion on the financial report relating to those financial statements, with an emphasis of matter paragraph regarding the circumstances to support the recognition of property, plant and equipment where legal title is pending.

Directors' Responsibility

The directors of the Company are responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Pro Forma Historical Financial Information, based on our limited assurance engagement. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.



Conclusions

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in section 6.5 of the Prospectus, and comprising:

- the pro forma historical consolidated Statement of Financial Position of the Company as at 30 June 2016;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 6.2 of the Prospectus.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of the Company not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence

BDO Corporate Finance is a member of BDO International Ltd. BDO Corporate Finance does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

General Advice Warning

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO Corporate Finance has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO Corporate Finance has not authorised the issue of the Prospectus. Accordingly, BDO Corporate Finance makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.



Financial Services Guide

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'G. Ellis', written in a cursive style.

Greg Ellis

Director and Representative



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Financial Services Guide

This Financial Services Guide is issued in relation to an investigating accountant's report ("Report") prepared by BDO Corporate Finance (East Coast) Pty Limited (ABN 70 050 038 170) ("BDO Corporate Finance") at the request of the directors ("Directors") of Jiajiafu Modern Agriculture Limited ("JJF") to provide general financial product advice in the form of a Report in relation to the initial public offering of shares in JJF ("Proposal"). The Report is intended to accompany a Prospectus ("Document") that is to be provided by the Directors to help potential investors make an information decision in relation to the financial product.

Engagement

BDO Corporate Finance has been engaged by the Directors to prepare the Report expressing our opinion in respect of the financial information to be included in the Document to be issued in connection with the Proposal.

Financial Services Guide

BDO Corporate Finance holds an Australian Financial Services Licence (Licence No: 247420) ("Licence"). As a result of our Report being provided to you BDO Corporate Finance is required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of a Licence.

Financial services BDO Corporate Finance is Licenced to provide

The Licence authorises BDO Corporate Finance to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives to retail and wholesale clients.

BDO Corporate Finance provides financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposal described in the Document may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDO Corporate Finance may receive

BDO Corporate Finance has charged fees for providing our Report. The basis on which our fees will be determined has

been agreed with, and our fees will be paid by, the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

BDO Corporate Finance will receive a fee of approximately \$77,500 (plus GST and disbursements) in relation to the preparation of the Report. The fee is not contingent upon the outcome of the Proposal, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposal.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO Corporate Finance or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

BDO Corporate Finance does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO Corporate Finance is Licenced to provide.

Associations and relationships

BDO Corporate Finance is a member of a national association of independent entities which are all members of BDO (Australia) Ltd, an Australian company limited by guarantee. BDO Corporate Finance and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.

BDO Corporate Finance's contact details are as set out on our letterhead.

Complaints resolution

As the holder of a Licence, we are required to have a process for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Limited, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ("FOS"). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO Corporate Finance is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001

Toll free: 1300 78 08 08
Email: info@fos.org.au

08

RISK
FACTORS



RISK FACTORS

8.1 Introduction

JJF is subject to various risks. Some of these are specific to its business activities. Others could affect the whole industry or are more general in nature. Individually or in combination, these risks may affect the future operating and financial performance of JJF and the value of its Shares. There can be no guarantee that JJF will achieve or realise its stated business strategy or any of its forward-looking statements contained in this Prospectus. Investors should note that past performance is not a reliable indicator of future performance.

This Section describes potential risks associated with JJF's business and risks associated with an investment in the Shares. It does not purport to list every risk that may be associated with JJF's business or with an investment in the Shares now or in the future. The occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of JJF, its Directors and its senior management.

The risks described in this Section have been grouped into the following:

- Risks that relate specifically to JJF and the way it operates its businesses
- General risks that relate to investing in JJF Shares

Before applying for Shares, investors should satisfy themselves that they have sufficient understanding of the risks of investing in JJF, of investing in the industry and of investing in shares in general, with regard to their own investment objectives, financial circumstances and taxation position. Investors should read this Prospectus in its entirety and should consider consulting their professional advisers before deciding on whether or not to apply for the Shares.

8.2 Risks specific to the Company

8.2.1 Agricultural Risks

The primary risks that JJF faces in its agricultural production and operation of orchards is adverse weather conditions due to seasonal change.

Changing weather conditions can affect the yield of crops. Strong heat and low rainfall in the summer can damage crops, whereas low temperatures and snow storms in the winter may increase the risk of plant disease and decrease photosynthesis, resulting in the decrease of crop yield. JJF utilises light shielding and water spraying infrastructure to mitigate the adverse effects of high heat conditions, and has installed artificial light heating equipment to protect crops during colder conditions. Irrigation systems are also in place to ensure sufficient water supply in times of low rainfall. Water drainage systems are also in place to prevent damage to crops due to heavy rainfall.

The entire horticultural process is overseen and assessed by management personnel. Farming practices and procedures are tailored to the type of production and the local conditions.

8.2.2 Product price variation

Prices of main products of JJF (including tomatoes, zucchini, cucumber and eggplants) are affected by supply and demand variation in the consumer market. Further, aggressive behaviour by competitors may reduce competition and result in a lowering of prices, and may decrease the overall sales volume should JJF be unable to match prices.

A decrease in commodity prices, a decrease in demand for JJF's products or the prices that JJF can charge for its products, whether as a result of the actions of competitors or more general economic conditions or supply and demand factors in China, may result in JJF having to reduce its products' prices. This in turn may lead to a reduction in supply of products or inability to grow the supply. A reduction in the price of products may also reduce the funds available for the payment of dividends on Shares.

8.2.3 Product and food safety risk

Most of JJF's products are perishable products. Improper and/or poor handling and processing can critically affect the safety of the end products. Further, there is a risk of product contamination in the various stages of the production process by a range of contaminants or pathogens.

Any instances, whether actual or perceived, of product contamination or other food safety issues may cause considerable reputational damage to JJF's brands and impair suppliers, customers, the general public and regulators' confidence in JJF's products. Damage to goodwill could result in the loss of supply contracts and significant product recall costs, compensation payments and the payment of significant penalties, all of which may have a material and adverse effect on JJF's revenue, profitability and growth. As a result JJF implements strict product inspection protocols and safety checks to ensure that goods are not mishandled. Any change in implementing protocols or the introduction of any changes to these protocols must be reviewed and signed off by the management team.

JJF must comply with various health and safety laws and regulations in China. Failure to comply with such agricultural products and food safety laws and regulations may result in fines, suspension of operations, loss of hygiene licence and, in more extreme cases, criminal prosecution against the enterprise and management. Any changes in PRC agricultural products and food safety laws may increase the costs of complying with these laws and regulations, which could have an adverse impact on the Group's financial position.

8.2.4 Competition risks

JJF is subject to competition from domestic producers of vegetable and fruit products.

Competitors in the agricultural market may seek to expand their operations, whether geographically, or by increasing production volume, increasing marketing efforts or through vertical integration. Furthermore, the government may take action that affects competition in the agricultural market. Any such action taken by JJF's competitors or the government may reduce JJF's market share, result in loss of distribution channels or cause consumers to favour JJF's competitors' products over JJF's own products. This will have an adverse effect on JJF's revenue, which may lead to reduced available funds to pay dividends. Increased competition may reduce the volume and/or price of products that JJF is able to sell which may have a material and adverse effect on JJF's revenue, profitability and growth.

JJF maintains a competitive advantage through its supply of high quality produce under its well recognised brand. In addition, JJF is party to and renews annual contracts with large supermarkets and wholesalers to ensure adequate sales channels. JJF's management regularly reviews and monitors changes in market competition to ensure an adequate and prompt response in business strategy.

8.2.5 Approvals, permits and licences

JJF China, as the main operating entity in China, requires certain licences and approvals to conduct its business. These licenses are granted at the discretion of the relevant PRC authorities, and the criteria for eligibility may change. The business activities of JJF China and its subsidiaries are subject to the supervision of these authorities which have the power to revoke previously granted licences or approvals or reject applications for new or extended licences or approvals.

If the Group fails to meet the requirements of applicable rules or regulations, the Group may incur legal liabilities. In particular, if any entity in the Group fails to obtain the grant or renewal of any required licenses or approvals, the business activities of the affected entity and the Group as a whole may be interrupted, or, if the affected entity continues to operate without the necessary licences and approvals, it may be liable to penalties. Any interruption to the Group's business activities or potential penalties may have a material and adverse effect on JJF and its subsidiaries' business, net assets, financial condition and operational results.

8.2.6 Reputation and trademarks

The Company believes that reputation and brand recognition are vital to its business and effective protection of intellectual property rights is critical to its interests. JJF's brand "DONGFANG JIAJIAFU" has been registered as a trademark with the Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China. JJF also holds the patent for "A Method for Preparing Dandelion Green Tea", registered with the State Intellectual Property Office.

JJF cannot ensure that there will not be any unauthorised usage or misuse of its brand; and any such infringement of the Group's intellectual property rights in respect of its trademarks may be detrimental to the Group's reputation, lead to litigation or adversely affect financial performance.

8.2.7 Reliance on key personnel

JJF's business is reliant upon the provision of high quality operational services by its senior personnel. It is also dependent on its skilled training staff and technical personnel for the successful and ongoing provision of its agricultural and business activities. Any change in the quality or quantity of these services, or an inability to attract qualified and motivated personnel to provide these services, could affect JJF's agricultural or business activities and financial performance. JJF's original founders also retain substantial operations roles with the company and have substantial influence over the day to day affairs and strategic direction of the company. Without these founders acting in conjunction with other management personnel, the Group may not be able to continue its agricultural or business activities successfully or deliver its long-term strategic objectives.

8.2.8 Chinese regulatory environment and associated risks

The PRC's legal system is largely based on legislation and prior case law has limited precedential value. However, the PRC is still in the process of developing a comprehensive statutory framework. Its legal system is still considered to be underdeveloped in comparison with the legal systems in some western countries.

Since 1979, the PRC's legislative bodies have passed laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. The legislative tendency since that time has been to grant increased protection to foreign investors. In this way, significant progress has been made in the legal system of the PRC.

Despite significant improvement in developing its legal system, there remain uncertainties and/or inconsistencies in the enforcement of existing laws and regulations. Most current PRC legislation has been passed relatively recently. As a result, there is a lack of established practice regarding the implementation, interpretation and enforcement of these laws. For this reason, the interpretation of these laws and regulations may be more volatile and less predictable. These uncertainties in the legal system may cause delays in any potential litigation, and limit the legal protection that is offered to potential litigants. Any litigation in the PRC may be protracted and result in substantial legal costs and/or significant diversions of resources and management attention. The occurrence of one or several of these risks could have material and adverse effects on the Group's business, net assets, financial condition and operational results.

8.2.9 Land-title risk

According to the relevant PRC Law, all lands in the PRC are either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned while all land in the rural areas of a city or town and all rural land is collectively owned, unless otherwise specified by law. Individuals, businesses and other organisations can possess land by being granted land-use rights from the local government for limited time periods.

According to the Urban Real Estate Administration Law of the People's Republic of China, the land user that has maintained continuous use of the land has the right to apply to the land administration department for an extension of the term at least one year before the expiration of the term. The Application would be approved except when the tract of land needs to be taken back in consideration of public interest.

When the term of the land-use right expires and if the land user has not applied for an extension, the right to use the land is returned to the state. Under special circumstances, the state may also take back the land before the expiry of the granted land-use right in consideration of public interest. However, the state is required to give compensation to the related land user. Such compensation is determined by the remaining effective term of the land-use right grant and the conditions of development of the reclaimed land.

As such, the agricultural land used by JJF is not owned by JJF. Whilst JJF has entered into land tenure agreements (see Section 9.5.2 for details on the land tenure agreements), under the PRC Rural Land Contract Law, the transfer of land tenure rights via agreement must be approved by resolution from the rural collective body. No resolutions have been passed by the rural collective body in relation to these agreements, nor have they been approved by the local government body. As such there is a legal risk that these agreements may not be enforceable. Furthermore, there is a risk that at the end of the relevant tenure of the land that JJF may not be able to renew that tenure and therefore it will be unable to continue its operations.

JJF China has entered into a number of asset purchase agreements for the purchase of assets including but not limited to commercial property, small property assets, land and greenhouses. For some commercial property and small property purchases, JJF China does not possess the requisite land and property title certificates. This may expose JJF China to legal risk under PRC law. In order to mitigate this risk, JJF China is in the process of obtaining the requisite certification.

8.2.10 Social security risk and housing provident fund

Pursuant to the Regulation on the Administration of Housing Provident Fund and Social Insurance Law and its associated regulations in China, the employees and employers are required to make contributions to social security insurance and housing fund. In the event that an employer fails to deposit registration with the relevant authorities or fails to make the contributions, the relevant authority may issue penalties including fines and orders to pay on the employer.

As at the date of this Prospectus, JJF China has not yet paid social security insurance and housing provident fund for a portion of its employees. The controller of JJF China, Mr Qingkai Li, has provided a written confirmation letter that he will personally bear the risk of fines or orders to comply, such that the business of JJF China and its operations will not be affected.

According to a letter issued by the Qingzhou Social Insurance Administration on 5 May 2016, Qingzhou Social Insurance Administration has confirmed that JJF China will not be fined for its failure to pay its contributions as required as at 5 May 2016.

8.2.11 Lack of insurance coverage

In the PRC it is not customary for businesses to take out extensive insurance protection. Aside from compulsory vehicle insurance and public liability insurance for some of its employees, JJF has not taken out any other insurance policies covering risks to its business premises. Thus, JJF does not have insurance protection against either business disruption or fire damage, and may not be able to recover compensation in such circumstances. Any uninsured loss or damage, litigation or business disruption may result in substantial cost to the Company and its subsidiaries, which could have a material and adverse effect on the Company or its subsidiaries' business, net assets, financial condition, and operational results.

This lack of comprehensive insurance coverage is also by reason of the early stage of the PRC insurance industry. Insurance companies in PRC offer limited commercial insurance products for the agricultural sector or only offer them on unattractive terms. When balancing the risk of disruption or product liability or risk of damage against the cost of insuring against these risks and the difficulty of procuring commercially reasonable insurance product terms, JJF considers that it is not commercially sensible to acquire such insurance.

8.2.12 Risk of significant control by Existing Shareholders

Immediately after the Offer, the Existing Shareholders will beneficially own approximately 69.39% to 80% of the Shares (subject to subscription amount), which enables the Existing Shareholders, if they act together, to pass a shareholders resolution to exert a significant degree of influence over the Company's management affairs and over matters requiring Shareholder approval.

8.2.13 Operating risks

The operations of the Group may be affected by various factors, including failure to achieve predicted production flow rates, operational and technical difficulties encountered in harvest, difficulties in commissioning and operating plant and equipment, mechanical failure or factory plant breakdown, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. Any such operational failures or difficulties may result in decline in revenue, profitability of JJF's business or the ability to pay dividends.

8.2.14 Foreign exchange risks

The Group's profitability will be generated in China. Economic or political instability in China (which may be caused by a number of unforeseeable events) may have an adverse effect on the Company.

China's exchange rate has historically fluctuated in relatively short periods of time. Adverse movements in China's exchange rate could result in a decreased reported contribution from the Chinese operations, and this may have a material adverse effect on the Company. In addition, fluctuations in exchange rates between China and the countries of origin of the Company's suppliers may impact the cost of the Company's supplies.

8.3 General investment risks

8.3.1 Potential fluctuations in prices of Shares

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade below the Offer Price. There is no assurance that the price for the Shares will increase following quotation on the ASX, even if the Company's earnings increase.

The market price and demand for shares quoted on ASX could be volatile or fluctuate due to numerous factors including (i) fluctuations in the domestic and international market for listed stocks; (ii) general economic conditions, including interest rates, inflation rates, exchange rates, commodity prices and oil prices; (iii) changes to government fiscal, monetary or regulatory policies; legislation or regulation; inclusion in or removal from market indices; (iv) the nature of the markets in which the Company operates and general operational and business risks.

8.3.2 Liquidity of Shares

There is currently no public market through which the Shares of the Company may be sold. On Completion of the Offer, there can be no guarantee that an active market will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares they acquire under the Offer. It may also affect the prevailing market price at which the Shareholders can sell their Shares. This may result in Shareholders who acquire Shares under the Offer receiving a market price for their Shares that is less or more than the Offer Price.

On Completion of the Offer, all Existing Shareholders will hold approximately 69.39% to 80% of the Shares (subject to subscription amount). Around 36.63% to 42.23% of the Shares held indirectly by Mr Qingkai Li and Mr Wenyuan Zhao may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of quotation (please refer to Section 9.8). The absence of any sale of Shares by the Existing Shareholders during the escrow period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

8.3.3 Exposure to general economic conditions

The operating and financial performance of JJF is influenced by a variety of general domestic and global economic and business conditions that are outside the control of the Company. Prolonged deterioration in general economic conditions may affect the demand for the Company's services and may have a material adverse impact on the financial performance, financial position, cash flows, dividends, growth prospects and share price of the Company.

8.3.4 Risk of Shareholder dilution

In the future, the Company may elect to issue shares to raise funds for the Company's business operations or additional acquisitions that the Company may decide to make. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it can issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issuance of shares and fundraisings.

8.3.5 Accounting standards

Any changes in accounting standards or how they are applied and interpreted may have an adverse impact on JJF's financial performance and position.

8.3.6 Taxation reform

Any changes to the current rate of the Company's income tax in Australia or abroad (i.e., China) may affect Shareholder returns. Any changes to relevant tax laws, the way they are interpreted and applied or to the current rate of taxes could have an adverse effect on JJF's financial performance or results. In addition, any change in tax rules and tax arrangements could also have an adverse effect on the level of dividend imputation or franking and Shareholder returns.

8.3.7 Litigation and regulatory inquiries

The Company may be subject to litigation, complaints and other claims or disputes, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, regulators or other third parties in the course of its business. Such matters may have a materially adverse effect on the Company's financial performance and position. Even if such matters are successfully defended or settled without financial consequences, they may have a material adverse effect on the Company's reputation.

8.3.8 Dividends may not be fully franked

Given the proportion of JJF's earnings from Chinese operations, it is unlikely that JJF will have sufficient franking credits in the future to fully frank dividends. There is likewise no guarantee that the franking system will not be varied or abolished. In addition, as the proportion of JJF's earnings from Chinese operations increases, it may not be possible to fully frank dividends.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or as a refund claim after the end of the income year, will depend on the individual tax position of each Shareholder.

8.3.9 Force majeure events

Force majeure events, or events beyond the control of the Company, may occur within or outside Australia that could affect the world economy, the operations of the Company and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and severe weather conditions.



09

ADDITIONAL
INFORMATION



ADDITIONAL INFORMATION

9.1 Registration

The Company was incorporated in Victoria as a public company limited by shares on 24 August 2015. On Completion of the Offer, the Company will have

- 85,000,000 Shares on issue including 17,000,000 Shares issued under this Prospectus in case of the Minimum Subscription; or
- 98,000,000 Shares on issue including 30,000,000 Shares issued under this Prospectus in case of the Maximum Subscription.

JJF (on a standalone basis) is and will be subject to tax at the Australian corporate tax rate. Its subsidiaries will be subject to tax in the jurisdictions in which they operate. Profits repatriated to JJF from JJF HK will not be subject to Australian income tax.

9.2 Corporate Structure

The Company was incorporated in Victoria on 24 August 2015. A group restructure, commenced in August 2015 and completed in February 2016, resulted in:

- the establishment by the Company of JJF HK;
- the acquisition by JJF HK of Ximan Packing Materials (Shenzhen) Co., Ltd. (**WFOE**), which is the holding company of the Group in China;
- the acquisition by WFOE of Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd (**JJF China**), which is the main operating company of the group in China;
- JJF China also holds 65% of the shares in Qingzhou Jiajiafu Service Co., Ltd (**JJF Service Co**) which currently does not carry on any substantive business; and
- the acquisition of an interest in 11.3% of the shares in Qingzhou Jiajiafu Fruit and Vegetable Professional Cooperative (**JJF Cooperative**). JJF China is entitled to 35% of its 11.3% interest unconditionally. Any additional profit distribution to JJF China is conditional on the amount of business transacted between JJF China and JJF Cooperative. Please refer to Section 9.2.2 for the details of the profit distribution mechanism.

9.2.1 JJF Service Co

JJF Service Co's business license authorises it to carry out the business of outsourcing and contracting for the provision of financial services and financial information technology. Currently there is no substantive business conducted by JJF Service Co. JJF Service Co's business scope is not a part of JJF's main underlying business as disclosed in Section 4.

As at the date of the Prospectus, JJF Services Co's capital structure is as follows:

Shareholders name	Shareholding percentage
JJF China	65%
Zhihong Gao ¹	35%
Total	100%

1. Zhihong Gao is not a related party of JJF China or the Company.

9.2.2 JJF Cooperative

JJF Cooperative's business is based on arranging procurement of agricultural production materials for its members. It also provides fruit and vegetable produce preservation and horticultural technology consultation services to its members. JJF China holds only a minority passive interest and not a controlling interest in JJF Cooperative. JJF Cooperative's business and operations are not a part of JJF China or the Company's operating business as disclosed in Section 4.

As at the date of the Prospectus, the capital structure of JJF Cooperative is as follows:

Shareholders name	Shareholding percentage (rounded to the nearest 0.1%)
JJF China	11.3%
Qingzhou Jianhao Modern Agriculture Technology Development Co.,Ltd ¹	3.0%
Qingzhou Jiajiafu Agriculture Capital Supermarket Co., Ltd ¹	2.1%
Qingzhou Huifeng Greenhouse Materials Co., Ltd	1.3%
Qingzhou Jiajiafu Fruit and Vegetable Supermarket Co., Ltd ¹	1.2%
Qingzhou Kangbeier Beverage Service Co., Ltd	1.8%
Other natural persons ²	79.3%
Total	100.0%

1. Qingzhou Jianhao Modern Agriculture Technology Development Co.,Ltd, Qingzhou Jiajiafu Agriculture Capital Supermarket Co., Ltd, and Qingzhou Jiajiafu Fruit and Vegetable Supermarket Co., Ltd are not related parties of JJF China or the Company.

2. There are approximately 4583 natural persons who in aggregate hold 79.3% of the shares in JJF Cooperative. These natural persons are members of the JJF Cooperative.

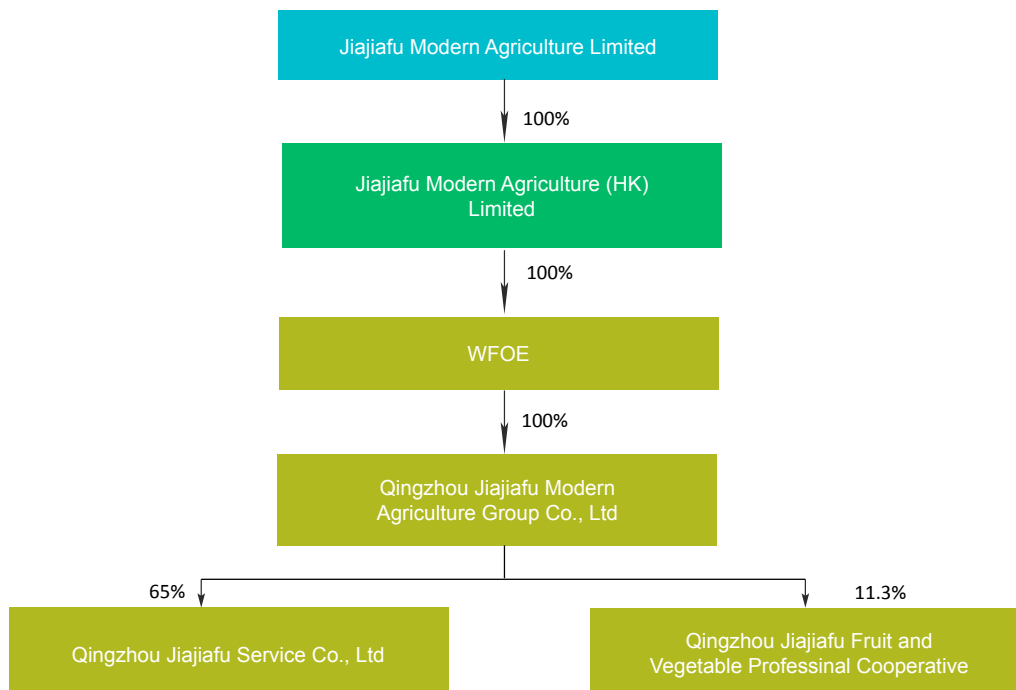
JJF Cooperative's revenue is generated only through transactions with its members. Pursuant to the Constitution of JJF Cooperative, its profit is distributed annually in the following ways:

- 35% of the distributable profit is allocated proportionally based on the shareholding percentages; and
- 65% of the distributable profit is distributed proportionally based on the annual amount of business each member transacted with JJF Cooperative.

The above means that JJF China's minimum profit entitlement is 35% of 11.3% (being 3.955%). Its actual entitlement varies subject to the percentage of JJF China's total transaction amount out of all members' transaction amount with JJF Cooperative (**JJF China Percentage**).

9.2.3 Group structure

The Group structure at the date of this Prospectus is shown in the diagram below.



9.3 Summary of rights and liabilities attaching to shares and other material provisions of the Company's constitution

9.3.1 General

The rights and liabilities attaching to ownership of the Shares are:

- detailed in the Constitution of the Company which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders. This summary assumes the Company is admitted to the official list of ASX.

9.3.2 Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each fully paid Share held. On a poll, partly paid Shares confer a fraction of a vote pro-rata to the amount paid up on the Share.

9.3.3 Dividends

Subject to any special terms and conditions of issue, the amount which the Directors from time to time determine to distribute by way of dividend are divisible among the members in proportion to the amounts paid up on the Shares held by them.

9.3.4 Issue of shares

Subject to the Constitution, the Listing Rules and the ASX Settlement Operating Rules, the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions and the issue price they think fit. Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital or otherwise, as the Directors think fit.

9.3.5 Variation of class rights

Subject to the Corporations Act and the Listing Rules, the rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

9.3.6 Transfer of Shares

Subject to the Constitution, the Corporations Act, the Listing Rules and to the rights or restrictions attached to any shares or class of shares, holders of Shares may transfer them by a proper transfer effected in accordance with the ASX Settlement Operating Rules or an instrument in writing in any usual form or in any other form that the Directors approve.

The Directors may decline to register a transfer of Shares for reasons including where the transfer is not in registrable form or where the refusal to register the transfer is permitted under the Listing Rules or the ASX Settlement Operating Rules. If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

9.3.7 Small holdings

The Directors may sell the Shares of a Shareholder if that Shareholder holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A non-marketable parcel of Shares is defined in the Listing Rules and is, generally, a holding of shares with a market value of less than A\$500.

9.3.8 General meetings and notices

Subject to the Constitution and to the rights or restrictions attached to any shares or class of shares, each member is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to members under the Constitution or the Corporations Act.

9.3.9 Winding up

Subject to any special or preferential rights attaching to any class or classes of shares, the Constitution, the Corporations Act and the Listing Rules, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them, less any amounts which remain unpaid on these shares at the time of distribution.

9.3.10 Directors – appointment and removal

The minimum number of Directors is three and the maximum is to be fixed by the Directors but may not be more than 10 unless the Company passes a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any managing Director) retires at each annual general meeting of the Company. The Directors may also appoint a Director to fill a casual vacancy on the Board in addition to the Directors who will then hold office until the next annual general meeting of the Company.

9.3.11 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairman has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

9.3.12 Directors' remuneration

The Directors, other than the Executive Directors, are entitled to be paid by such Directors' fees for their services as the Directors decide, provided that the total fees do not exceed the maximum aggregate sum as may be approved from time to time by Shareholders in general meeting. The Constitution also makes provision for the Company to pay all expenses of Directors in attending meetings and carrying out their duties and for the payment of additional fees for extra services or special exertions. Any change to that maximum aggregate sum needs to be approved by Shareholders.

9.3.13 Alteration of share capital

Subject to the Listing Rules, the Constitution and the Corporations Act, the Company may alter its share capital.

9.3.14 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution.

9.3.15 Variation of the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of the Company. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

9.3.16 Share buy-backs

The Company may buy back shares in accordance with the provisions of the Corporations Act.

9.3.17 Dividend plan

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan.

9.4 Share conversion upon listing

The Directors consider that it is important to have strong internal control policies in place and to have mechanisms for ensuring the compliance with those internal control policies. As the shareholder with significant control, JuXin Holdings Limited (**JuXin**) will have an important role in ensuring that the Company adheres to listing rules and obligations under laws.

Upon the Company's listing date, 14,380,982 ordinary shares held by JuXin will be converted into a new class of shares (**Class A shares**). The Class A shares will continue to have all the rights attached to ordinary shares (see Section 9.3 above), however the rights attached to the Class A shares will be automatically ceased if the Company receives a letter from its auditor stating that the Company or a subsidiary of the Company, including JJF China, has not complied with a reasonable level of good corporate governance for an ASX listed group, including but not limited, to observing any agreed and documented internal control policies or procedures at any time within two years from the Company's listing date (**Compliance Failure Event**).

If no Compliance Failure Event occurs by two years from the Company's listing date, Class A shares will automatically convert back to ordinary shares.

9.5 Material contracts

The Directors consider that there are a number of contracts which are significant or material to the Group or of such nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries do not purport to be complete and are qualified by the text of the contracts themselves.

9.5.1 Agreements associated with Company's business

(a) Cooperation Agreement with Jinan Hualian Supermarket

JJF China has entered into a cooperation agreement with Jinan Hualian Supermarket Ltd (**Hualian**) whereby Hualian agrees to set up sales counters in 11 branches of Hualian Supermarket to sell JJF's products exclusively from 26 August 2016 to 25 August 2017. The main contractual terms are as follows:

Key Terms	
Fees	JJF China must pay Hualian 13% of the revenue received from the sales of JJF China's products in the supermarket. JJF China guarantees a minimum revenue of RMB 1.447 million (\$A309,118.03) over the contract period. Payment is settled monthly.
Sales Personnel	JJF China is responsible for employing sales personnel to promote JJF China's products in the supermarkets.
Installation and maintenance of the sales counter	JJF China is responsible and bears the costs for the installation and maintenance of the sales counters. JJF China must obtain approval from Hualian before performing any maintenance work to the sales counter.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

(b) Cooperation Agreement with Taihuacheng

JJF China has entered into a cooperation agreement dated 9 November 2015 with Qingzhou Taihuacheng Real Estate Development Limited (**Taihuacheng**) whereby Taihuacheng agrees to set up a sales counter in Qingzhou branch of Fuleduo Supermarket to sell JJF's products exclusively from 6 November 2015 to 25 December 2016. The main contractual terms are as follows:

Key Terms	
Fees	JJF China must pay Taihuacheng 8% of the revenue received from the sales of JJF China's products in the supermarket. Payment is settled monthly. JJF China guarantees a minimum fee payment of RMB 10,000 (\$A2,136.75) over the contract period.
Sales Personnel	JJF China is responsible for employing 2 sales personnel to promote its products in the Fuleduo Supermarket.
Installation and maintenance of the sales counter	JJF China is responsible and bears the costs for the installation and maintenance of the sales counter. JJF China must obtain approval from Taihuacheng before performing any maintenance work to the sales counter.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

(c) Cooperation Agreement with Jialejia Supermarket

JJF China has entered into a distribution agreement dated 15 March 2016 with Weifang Jialejia Agricultural Products Distribution Ltd (**Jialejia**) whereby Jialejia agrees to provide floor space in 8 branches of Jialejia supermarket for JJF China to sell its products from 1 April 2016 to 31 March 2017. The main contractual terms are as follows:

Key Terms	
Fees	JJF China must pay Jialejia 13% (10%, 8% and 6% in case of promotions) of the revenue received from the sales of JJF China's products in the supermarket. Payment is settled monthly.
Sales Personnel	JJF China is responsible for employing sales personnel to promote JJF China's products in the supermarkets.
Installation and maintenance of the sales counter	JJF China must obtain approval of the layout from Jialejia prior to installing the sales counter in Jialejia's supermarkets. Jialejia reserves the right to require any variations to the sales counters at JJF China's cost.
Promotion of JJF's products	Jialejia agrees to promote JJF China's products in its promotional materials for a fee of RMB 21,000 (\$A4,487) for all eight branches during the contract term.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

(d) Product Supply Agreement

On 1 January 2016, JJF China entered into standard term supply agreements with four individuals from four vegetable wholesale markets (Buyers) for supply of JJF China's products for 1 year until 31 December 2016. The key contractual terms are as follows:

Key Terms	
Supply	JJF China will provide the Buyers with a products catalogue and quantity of each product. The Buyers are in charge of selling the products in the wholesale markets.
Delivery	The Buyers are responsible for the pick-up of products from the plantations.
Payment	Payments for products are settled on a monthly basis.
Sales	The Buyers should relay any customers' needs and feedback to JJF China.
Force majeure	Both parties share the losses incurred as a result of termination of the agreement caused by force majeure events such as earthquake and floods.

(e) Fertiliser Sales Agreements

On 16 April 2016 and 25 August 2016, JJF China entered into two fertiliser sales agreements with Qingzhou Jianhao Modern Agriculture Technology Development Limited Company (**Jianhao**) for sale of organic and water soluble fertilisers. The key contractual terms are as follows:

Key Terms	Agreement dated 16 April 2016	Agreement dated 25 August 2016
Sale amount	JJF China will sell to Jianhao RMB 2 million (A\$427,350) worth of fertilisers.	JJF China will sell to Jianhao RMB 1.2 million (A\$256,740) worth of fertilisers.
Price	The unit price should be RMB 1,068 (A\$228.2) per ton for organic fertiliser.	The unit price should be RMB 1,068 (A\$228.2) per ton for organic fertiliser, and RMB 3,136 (A\$670.1) per ton for water soluble fertiliser.
Payment	Prepayment of RMB 2 million (A\$427,350) is required by 26 April 2016 by Jianhao.	Prepayment of RMB 1.2 million (A\$256,740) is required by 5 September 2016 by Jianhao.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

(f) Dandelion Tea Agreements

JJF China entered into a series of agreements with Shandong Zhanhua Oasis Tea Company Limited (**Zhanhua**) and Binzhou Zhanhua Green Dandelion Cooperative (**Dandelion Cooperative**) for the production of dandelion tea. JJF China purchases the dandelion seedlings and is granted access to rural land from Zhanhua to grow the dandelion plantation. The growth and harvest of the dandelion tea leaves are outsourced to Dandelion Cooperative, with JJF China supplying the know-how and horticultural expertise during the growth and harvest periods. JJF China then sells the harvested tea leaves to Zhanhua at a market price. The terms of the agreements are as follows:

(i) Rural land use agreement

On 3 February 2016, JJF China entered into a rural land contracting agreement with Zhanhua to carry out its business operations over 2500 mu (approximately 1,666,667 sqm) of rural farm land. The main contractual terms are as follows:

Key Terms	
Term	13 years, from 29 February 2016 to 28 February 2029.
Contracting fee	JJF China should pay Zhanhua RMB 300 (A\$62.10) per mu per annum. The total contracting fee is RMB 9.75 million (A\$2.08 million). The first instalment of RMB 7.5 million (A\$1.60 million) should be paid before 29 February 2016 and the rest RMB 2.25 million (A\$0.48 million) should be paid before 23 March 2017.
Granting of Access	Zhanhua must grant to JJF China access to the contracted rural farm land.
Use of land	JJF China has the right to construct on the rural farm land.
First right of refusal	JJF China has a first right of refusal to extend the lease of the land.
Penalty for breach	If a party breaches a clause of the agreement, that party must pay to the other party 20% of the sum of the pro-rata amount of the contracting fee for the remaining contracting period and the value of the investments made in relation to the use of the rural farm land.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

(ii) Research and Development Agreement

Key Terms	
Content	China Agriculture University agrees to conduct research on quality and ingredient of dandelion products for JJF China.
Term	From 16 August 2015 to 16 August 2017
R&D project	Key technology in relation to improving dandelion products' quality
Fees	JJF China agrees to pay research fee of RMB 600,000 (A\$128,205).

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

(iii) Growth and harvest agreement

Key Terms	
Counterparty	Dandelion Cooperative
Term	5 years, from 10 April 2016 to 30 November 2021.
Fees	RMB 1.08 (A\$0.23) per kilogram of harvested tea leaves payable by JJF China to the counterparty. The fee is payable within 10 days following a harvest.
Growth and harvest	The counterparty is required to harvest a minimum of 1,500 kilograms of tea leaves per mu of land per annum.
Use of Land	The counterparty is granted access to the rural land (size of 2500 mu), which is the subject of the Rural Land Use Agreement entered into with Zhanhua.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

(iv) Dandelion tea leaves sale agreement

Key Terms	
Counterparty	Zhanhua
Term	5 years, from 30 August 2016 to 30 November 2021.
Sale of tea leaves	JJF China agrees to sell Zhanhua a total of 3.75 million kilograms of fresh dandelion tea leaves per annum. A supply of 90% of this amount shall be deemed as completion of JJF China's obligations under the agreement.
Purchase price	RMB 3 (A\$0.64) per kilogram of tea leaves, payable by the counterparty to JJF China within 1 month following the completion of JJF's obligation under the agreement.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

9.5.2 Agreements associated with Real Property

(a) Gaoliu County Rural Land Contracting Agreements

JJF China has entered into 60 rural land contracting agreements with 500 land contracting right owners in Gaoliu County, Qingzhou City to carry out its business operations over 3177.6 mu (approximately 2,118,400 sqm) of rural farm land. The main contractual terms are as follows:

Key Terms	
Term	18 years, from 26 March 2011 to 25 March 2029.
Contracting fees	JJF China should pay the land contracting right owners 827 jin (approximately 413.5 kg) of wheat (or its market price value paid in cash) per mu (approximately 667 sqm) per annum. Payments of contracting fees are settled on an annual basis.
Granting of access	The land contracting right owners must grant to JJF China free access to the contracted rural farm land.
Use of land	JJF China has the right to construct on the rural farm land.
First right of refusal	JJF China has a first right of refusal to extend the lease of the land.
Penalty for breach	If a party breaches a clause of the agreement, that party must pay to the other party 20% of the sum of the pro-rata amount of the contracting fee for the remaining contracting period and the value of the investments made in relation to the use of the rural farm land.

(b) Gaoliu County North Zhuliang Rural Village Committee Agreement

On 30 June 2016, JJF China entered into three agreements with the Gaoliu County North Zhuliang Rural Village Committee for the lease of rural land, areas of 615.9 mu, 556.7 mu and 217.8 mu, respectively (1,390.4 mu in total). The main contractual terms are as follows:

Key Terms	
Term	13 years, from 30 June 2016 to 29 June 2029.
Contracting fees	JJF China must pay RMB 1300 (A\$277.78) per mu of land per annum to Gaoliu County North Zhuliang Rural Village Committee. Payments are made in instalments, with equal amounts paid every two years, and the last three years in the contracted term paid at once.
Grant of access	The land contracting right owners must grant JJF China access to the contracted rural farm land.
Use of land	JJF China has the right to construct on the rural farm land.
Penalty for breach	If a party breaches a clause of the agreement, that party must pay to the other party 20% of the sum of the pro-rata amount of the contracting fee for the remaining contracting period and the value of the investments made in relation to the use of the rural farm land.

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

(c) Greenhouses Purchase Agreements

As of the date of this Prospectus, JJF China has entered into standard term greenhouses purchase agreements with 13 sellers for the purchase of 210 greenhouses for a total price of RMB 27,135,600 (\$A5.80 million). Under the agreements the sellers warrant that the necessary registrations relating to the greenhouses have been completed, and indemnify JJF China against any legal liability relating to defects in the registrations. JJF China have paid the purchase price in full upon execution of the agreement and registrations of the titles have been completed.

(d) Property Purchase Agreement with Xinya

On 3 May 2015, JJF China entered into a property purchase agreement with Qingzhou Xinya Real Estate Development Pty. Limited (**Xinya**) for the purchase of a commercial unit with a floor area of 1,380 sqm for RMB 7,038,000 (\$A1.503 million). As at the date of this Prospectus, JJF China has paid 40% of the purchase price to the vendor and the rest 60% should be paid in two equal instalments by 25 June 2016 and 25 June 2017. Upon the full payment of the purchase price, Xinya will assist JJF China in registration of property title and land use right title.

(e) Commodity House Purchase Agreement with Xiaomeng Zhou

On 20 July 2014, JJF China entered into a commodity house purchase agreement with Xiaomeng Zhou for the purchase of a commodity house with a main floor area of 387.60 square meters for RMB 1.254 million (A\$267,948.72). JJF China has paid the purchase price in full to the vendor. As at the date of this Prospectus, JJF China has not yet received the title certificate to the commodity house from the vendor.

(f) Rental Agreement with Pihe Li

JJF China has entered into a rental agreement for a house unit with Pihe Li an area of 1,840 square meters for the period of 50 years from 30 April 2013 to 30 April 2063. JJF China has paid the rent of RMB 2,013,696 (A\$430,276.92) in full.

(g) Rental Agreement with Huatao Liu

JJF China has entered into a rental agreement for a house unit with Huatao Liu an area of 4,131.35 square meters for the period of 30 years from 1 March 2016 to 29 February 2036. JJF China has paid the rent of RMB 3,851,600 (A\$822,991.45) in full.

9.5.3 Financing Agreements

As at the date of the Prospectus, JJF China has entered into the following working capital loan agreements.

Lender	Loan Amount	Interest Rate	Loan Term	Note
Weifang Bank	RMB 2,000,000 (A\$427,350.43)	Fixed rate of 8.7% per annum	22 April 2016 to 18 April 2017	Unsecured; for the purpose of purchasing agricultural materials
Bank of China Fullerton Community Bank	RMB 1,200,000 (A\$256,410.26)	Fixed rate of 7.5% per annum	31 August 2016 to 31 August 2017	Secured by guarantee and mortgage; for the purpose of purchasing materials
Shanghai Pudong Development Bank (SPD Bank) Weifang Branch	RMB 20,000,000 (A\$4,273,504.27)	SPD Bank base rate plus 220.5 BPS	26 January 2015 to 26 January 2017	Secured by guarantee; for the purpose of purchasing materials

Note: calculated based on the exchange rate AUD\$ 1 : RMB 4.68

9.5.4 Deeds of access, insurance and indemnity for Directors

(a) Access

The Company has entered into deed of access, insurance and indemnity with each Director which contains rights of access to certain books and records of JJF.

(b) Indemnification

Under the Constitution, JJF is required to indemnify all Directors and officers, past and present, against all liabilities allowed under law. Under the deed of access, insurance and indemnity, JJF indemnifies parties against all liabilities to another person that may arise from their position as an officer of JJF or its subsidiaries to the extent permitted by law. The deed stipulates that JJF will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

(c) Insurance

Under the Constitution, JJF may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law and under the deed of access, insurance and indemnity, JJF must maintain insurance cover for each Director for the duration of the access period.

9.6 Related party contracts

Related party transactions (that is, transactions between a public company and a director, an entity controlled by a director, or a parent company of the public company) are regulated in Australia under the Corporations Act by a requirement for disinterested shareholder approval, unless the transaction is on "arm's length terms", represents no more than reasonable remuneration, or complies with other limited exemptions. The Company has entered into the following agreements with related parties. The entries into these agreements are done so on arm's length terms, and are fair and reasonable in accordance with market standards.

9.6.1 Lease agreement between JJF Service Co and JJF China

JJF China holds 65% equity in JJF Service Co and is its controlling shareholder. JJF Service Co and JJF China entered into a lease agreement for the lease of business premises with an area of 80 square meters. The lease period is from 1 June 2015 to 31 May 2025, and the rent payable is RMB 11,000 (A\$2,350.43) per year.

9.6.2 Trademark License agreement between JJF Cooperative and JJF China

JJF China holds 11% equity in JJF Cooperative and Mr. Qingkai Li, chairman of JJF China also acts as chairman in JJF Cooperative. JJF Cooperative and JJF China entered into a trademark licence agreement dated 1 January 2013, whereby JJF Cooperative authorised JJF China to utilise “Guangxin” registered trademark. The underlying authorisation period is 9 years from 1 January 2013 to 31 December 2021, and the licence fee payable is RMB 10,000 (A\$2,136.75) per year. Please refer to Section 4.11 for the details of this trademark.

9.6.3 Loan agreement between JJF Cooperative and JJF China

JJF Cooperative and JJF China entered into a loan agreement dated 30 April 2016, whereby JJF Cooperative borrowed RMB 7.4 million (A\$1.58 million) from JJF China with a fixed interest rate of 7.2% per annum. The term of this loan is 8 months, from 30 April 2016 to 31 December 2016. This loan is unsecured and the capital amount and interests is payable on the due date.

9.7 Existing Shareholder interests

The table below sets out the interests of Shareholders as at the date of this Prospectus and immediately following the Offer:

Shareholders	Minimum Subscriptions		Maximum Subscriptions		Class of Shares
	Number of Shares	%	Number of Shares	%	
JuXin Holding Limited ¹	40,653,563	47.83	40,653,563	41.48	Ordinary
	14,380,982	16.92	14,380,982	14.67	Class A
JianHao Holding Limited	5,368,754	6.32	5,368,754	5.48	Ordinary
ZhanPeng Holding Limited	4,838,194	5.69	4,838,194	4.94	Ordinary
Zhang Teng Bo Run Investment Ltd ²	258,507	0.30	258,507	0.26	Ordinary
Butterfly Wings 1501 Limited ²	2,500,000	2.94	2,500,000	2.55	Ordinary
Shares on issue at date of Prospectus	68,000,000	80.00	68,000,000	69.39	
Shares offered under this Prospectus	17,000,000	20.00	30,000,000	30.61	
Total	85,000,000	100.00	98,000,000	100.00	

1. Mr Qingkai Li currently holds 42.27% and Mr Wenyuan Zhao holds 22.954% of the ordinary shares in JuXin Holding Limited. Following completion of the Offer, 26.13% of all ordinary shares held by JuXin Holdings Limited, being 14,380,982, be varied and converted into a new share class A. For further details regarding the share conversion and rights attached to the new share class, please see Section 9.4.

2. Shares held by Zhang Teng Bo Run Investment Ltd and Butterfly Wings 1501 Limited were issued in consideration of the corporate advisory services provided by AGC Capital Securities Pty Ltd.

9.8 Escrow requirements under the ASX Listing Rules

Subject to the quotation of the Company's securities on ASX, certain Shares may be classified by ASX as restricted securities and may be required to be held in escrow for up to 24 months from the date of quotation.

During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Shares required to be held in escrow prior to the Shares commencing trading on the ASX.

9.9 Consents to be named and disclaimers of responsibility

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- AGC Capital Securities Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Lead Manager and Corporate Adviser to the Company in the form and context it is so named;
- BDO Corporate Finance (East Coast) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in the form and context it is so named and to the inclusion of its Investigating Accountant's Report on the Historical Financial Information in Section 7;
- BDO East Coast Partnership has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor and Australian tax advisers of the Company in the form and context it is so named;
- Baker & McKenzie has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context it is so named;
- Grandall Law Firm has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Chinese legal adviser to the Company in relation to the Offer in the form and context it is so named;
- Patrick Mak & Tse has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's Honk Kong legal adviser which has performed the work in relation to due diligence enquiries on Hong Kong legal matters in the form and context it is so named;

- Advanced Share Registry Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Registry in the form and context it is so named; and
- Frost & Sullivan Australia Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the independent expert in the form and context it is so named and to the inclusion of its Independent Industry Report in Section 3.

No entity or person referred to above in Section 9.9 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section 9.9 has not authorised or caused the issue of this Prospectus, does not make any offer of New Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section 9.9.

In addition, as permitted by ASIC Class Order [CO 00/193] this Prospectus may include or be accompanied by certain statements fairly representing a statement by an official person, or from a public official document or a published book, journal or comparable publication.

9.10 Costs of the Offer

If the Offer proceeds, the estimated costs of the Offer (exclusive of taxes), by type of cost, are shown in the table below:

Estimated expenses (A\$)(exclusive of non-recoverable GST, where applicable)	Minimum Subscription (A\$)	Maximum Subscription (A\$)
Lead manager/Broker fees	466,000	700,000
Corporate advisory fees (in the form of cash)	450,000	450,000
Corporate advisory fees (in the form of shares)	932,622	932,622
Legal fees	470,617	470,617
ASX fees	80,500.00	84,400.00
Audit, investigating accountant and taxation fees	354,979	354,979
Independent Market Report	16,389	16,389
Printing and other costs	201,435	204,435
Total estimated expenses¹	2,972,542	3,213,442

1. Final expenses may be higher due to tax impacts.

9.11 Working capital statement

The Directors believe that, on Completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

9.12 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales.

9.13 Legal proceedings

So far as the Company is aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material in which the Group is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Group.

9.14 Tax considerations

Set out below is a general overview of the Australian taxation implications for investors who acquire the New Shares on capital account. This Section 9.14 is based on legislation applicable at the time of its preparation. Given the complexity of taxation laws, it does not cover all possible implications for particular investors.

As the tax position of each investor may vary depending on their individual circumstances, this Section 9.14 should not be considered advice specific to any particular investor. Before lodging an Application, each investor should seek independent professional advice with respect to the tax consequences applicable to their individual circumstances.

9.14.1 Taxation of dividends

The treatment of the dividends which are paid to investors will vary depending on whether or not the investor is an Australian resident or foreign resident. The taxation treatment will also vary depending on the extent to which any dividends carry a franking credit.

(a) Dividends received by Australian resident Shareholders

For Australian resident individuals and complying superannuation entities, dividends on the New Shares will be assessable income of the Shareholder in the income year in which they are paid (or deemed to be paid) to the Shareholder. If the dividend carries a franking credit (for imputed Australian corporate tax paid by JJF) then the dividend paid (or deemed to be paid) plus the franking credit will be included in the Shareholder's taxable income and subject to tax at the Shareholder's marginal tax rate. The Shareholder will be entitled to offset the franking credit against tax payable by the Shareholder if the Shareholder is a qualified person. A qualified person is a Shareholder who satisfies the holding period rule (by holding shares on which the dividend is "at risk" for at least 45 days continuously from the day after the Shareholder acquires the shares to the 45th day after the shares become ex-dividend) and the related payments rule.

Individuals and complying superannuation funds are entitled to a refund of any part of the franking credits that exceed their tax payable. Australian resident companies can convert excess franking credits to tax losses that can potentially be deductible against income in future years. Unfranked dividends received by Australian resident Shareholders will be taxable at the Shareholder's marginal tax rate. For individuals, this tax rate may be up to 49% (including Medicare levy and temporary Budget Repair levy). For companies and complying superannuation funds, rates of tax are generally 30% and 15% respectively.

(b) Dividends received by non-resident Shareholders

Dividend withholding tax is not imposed on fully franked dividends paid to foreign Shareholders.

It may be necessary for JJF to withhold tax from unfranked dividends paid to foreign Shareholders and remit the tax to the Australian Taxation Office.

Where unfranked dividends are paid to non-resident Shareholders and the unfranked dividend is not declared to be "conduit foreign income", dividend withholding tax must be deducted from the gross dividends paid. If the Shareholder is a resident of a country that does not have a Double Tax Agreement (*DTA*) with Australia then a 30% withholding tax rate will be applied to dividends paid to the non-resident Shareholder. If the Shareholder is a resident of a country that does have a DTA with Australia then the DTA will determine the maximum amount of withholding tax that can be imposed. DTA dividend withholding tax rates generally range from 0% to 15%.

9.14.2 Disposal of Shares

As noted above, the following overview of Australian tax implications associated with disposal of New Shares is confined to investors who hold their shares on capital account. Australian income tax laws impose tax on capital gains (*CGT*).

Persons who acquire New Shares on revenue account or for a share trading purpose should seek independent professional advice as the issues are complex and the tax implications depend heavily on individual circumstances.

(a) Disposal of Shares by Australian resident Shareholders

Disposal of some or all of the New Shares held on capital account by Australian resident investors will give rise to a CGT event and investors may become liable to pay CGT if they make a capital gain on disposal, or another CGT event occurs in respect of the New Shares.

An investor will be taken to have acquired New Shares when these are issued or transferred to the investor and to have disposed of the New Shares when the investor transfers (or agree to transfer) the New Shares to another person. Taxation law also deems a disposal to have occurred in some other circumstances as well.

To calculate the capital gain that is subject to tax initially requires the cost base of shares to be subtracted from the consideration (money or property) received from their disposal. If the calculation results in a negative number, then a capital loss has been incurred.

The market value of shares at the time of their disposal may be substituted as consideration if the disposal is for nil or not undertaken on an arm's length dealing basis. In the case of New Shares acquired pursuant to the Prospectus, the cost base for CGT purposes will generally be the amount paid for the New Shares (A\$0.30 per Share), plus incidental transaction costs (such as brokerage fees) incurred in selling the shares.

If the Shareholder has also derived capital losses in the income year, or has accumulated capital losses that are deductible, then those losses may be offset against the capital gain derived from the disposal of the shares. A capital loss cannot be offset against ordinary taxable income but may be carried forward and offset against future capital gains. However, utilisation of carried forward capital losses is subject to various loss integrity tests. Consideration of these loss provisions is beyond the scope of this Section.

For those investors that are companies, a net capital gain made on the disposal of New Shares (after any capital losses are offset) must be included in the company's taxable income and subject to tax at the prevailing general corporate tax rate (30%).

Investors who are either individuals or complying superannuation funds (or another similar form of qualifying entity), and dispose of New Shares held for at least 12 months, may be entitled to a CGT discount of 50% and 33 1/3% respectively. Companies are not entitled to any discount and special rules apply for trusts.

The net capital gain remaining after permitted offsets and discounts, is added to the investor's other taxable income, and the total amount is then subject to tax at the investor's marginal tax rate.

Where shares are held by a trust (and the trust is not taxed as a company for Australian tax purposes) then a CGT discount of 50% is generally available. When the capital gain is distributed to the beneficiary by the trustee of the trust, the capital gain needs to be grossed up and the relevant beneficiary(s) will need to determine for themselves whether or not they are able to access the CGT discount provisions.

(b) Disposal of Shares by non-Australian resident Shareholders

Foreign residents are only subject to CGT on the disposal of taxable Australian property. For tax purposes, New Shares will generally only be considered taxable Australian property where the following conditions are satisfied:

- the investor owns an interest of 10% or more in JJF; and
- more than 50% of the value of JJF relates to assets that are taxable Australian real property such as land and buildings or interests in land and buildings. For example, leasehold rights over land situated in Australia are considered to be taxable Australian real property.

Based on information contained in the Prospectus regarding the planned operation of the business, JJF shares are unlikely to be taxable Australian property. As such, foreign residents that dispose of their shares are unlikely to be subject to Australian CGT. However, the circumstances of the company should be reviewed by investors as at the time they dispose of some or all New Shares.

9.14.3 Tax File Numbers quotation

It is not compulsory for Australian resident Shareholders to provide JJF with details of their Tax File Number (*TFN*) or Australian Business Number (*ABN*). However, a failure to quote a TFN or ABN to JJF will result in JJF being required to withhold and remit tax of 49% (47% for years ended following 30 June 2017 based on current legislation) from unfranked dividends paid to the relevant Shareholder. The amount withheld in these circumstances should be available as a credit against the investor's tax liability.

9.14.4 GST and transfer duty

No GST is applicable to the issue or transfer of the New Shares given that, under current law, shares in a company are a financial supply for GST purposes. Shareholders may not be entitled to claim full input tax credits in respect of GST paid on costs incurred in connection with the acquisition of shares.

Transfer duty will not be payable on New Shares issued pursuant to the Prospectus.

9.15 Statement of Directors

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act.

This Prospectus is signed by a Director of Jiajiafu Modern Agriculture Limited in accordance with section 351 of the Corporations Act.

A handwritten signature in black ink, appearing to be the Chinese characters '李庆凯' (Li Qingkai).

Chairman
Qingkai Li



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GLOSSARY

GLOSSARY

1H	First half financial year, ending on 30 June of any year, and the four digits following FY indicate which year (for example 1H2016 means the first half financial year ending 30 June 2016).
A\$, AUD or AUD\$	Australian dollars, the lawful currency of the Commonwealth of Australia.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
ABN	Australian Business Number.
ACN	Australian Company Number.
AEST	Australian Eastern Standard Time.
Applicant	A person who has applied to subscribe for Shares under the Offer.
Application	A valid application for Shares made under this Prospectus.
Application Form	The form accompanying or attached to this Prospectus by which an Applicant may apply for Shares.
Application Money or Application Amount	Money payable for Shares applied for by an Applicant.
ARC	Audit and risk committee of the Board.
ASIC	Australian Securities and Investment Commission.
ASX or Australian Securities Exchange	ASX Limited (ABN 98 008 624 691), or the securities market it operates, as the context requires.
ASX Listing Rules or Listing Rules	The official listing rules of the ASX.
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532).
ASX Settlement Operating Rules	The settlement rules of the settlement facility provided by ASX Settlement.
Board	The Board of Directors of the Company.
CEO	Chief Executive Officer of the Company.
CFO	Chief Financial Officer of the Company.
China or PRC	The People's Republic of China.
Closing Date	5:00pm (AEST) on 16 February 2017 or such other date as the Board may decide, and is the date on which the Offer closes.
Company or JJF	Jiajiafu Modern Agriculture Limited (ABN 82 607 739 159), the Group's holding company incorporated in Victoria.
Completion	The issue of the Shares to Successful Applicants.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	The directors of the Company, and Director means any one of them.
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
Executive Director	A Director appointed as an executive director of the Company.
Existing Shareholders	Those persons or entities who are holders of Shares of the Company as at the date of this Prospectus.
Exposure Period	Has the meaning given in "Important Information" Section.
Financial Information	Has the meaning given in Section 6.
FY	Financial year, ending on 31 December of any year, and the two digits following FY indicate which year (for example FY2014 means the financial year ending 31 December 2014).
Group	The consolidated group comprising the Company and its subsidiaries.
GST	The meaning given in section 195–1 of the <i>A New Tax System (Goods and Services) Tax Act 1999</i> (Cth).
Historical Financial Information	Has the meaning given in Section 6.

HK\$ or HKD	Hong Kong dollars, the lawful currency of Hong Kong.
Holding Statement	A holding statement of Shares.
Hong Kong or HK	The Hong Kong Special Administrative Region of China.
Hong Kong Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended from time to time.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Investigating Accountant or BDO Corporate Finance	BDO Corporate Finance (East Coast) Pty Ltd.
JJF China	Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd, a company incorporated in the PRC, being the main operating entity of the Group.
JJF China Group	Has the meaning given in Section 6.1.
JJF Cooperative	Qingzhou Jiajiafu Fruit and Vegetable Professional Cooperative, an agricultural cooperative incorporated in the PRC.
JJF HK	Jiajiafu Modern Agriculture (HK) Limited, a company incorporated in Hong Kong.
JJF Service Co	Qingzhou Jiajiafu Service Co., Ltd, a company incorporated in the PRC, being another operating entity of the Group.
Lead Manager and Corporate Adviser	AGC Capital Securities Pty Ltd (AFSL No. 481024).
Listing	The admission of the Company to the Official List of ASX.
Listing Date	The date that the Company is admitted to the Official List of ASX.
Maximum Subscription	The maximum subscription amount under the Offer, being A\$9,000,000
Minimum Subscription	The minimum subscription amount under the Offer, being A\$5,100,000
New Share(s)	Share(s) to be issued under the Offer.
Non-Executive Director	A Director appointed as a Non-Executive director of the Company.
NPAT	Net profit after taxes.
OFDC	Organic Food Development Centre of China.
Offer	The invitation in this Prospectus to subscribe for Shares.
Offer Information Line	The Offer Information Line being 02 80754595 within Australia and 86 536 3236698 outside Australia.
Offer Price	A\$0.30 per Share.
Official List	The official list of entities that ASX has admitted and not removed.
Official Quotation	The quotation of the Shares on ASX.
Opening Date	8:30am (AEST) on 13 December 2016.
Original Prospectus	The Prospectus in relation to the Offer dated 5 December 2016.
Prospectus	This Replacement Prospectus.
Registry	Advanced Share Registry Limited.
RMB, Renminbi or ¥	Chinese Yuan, the lawful currency of the PRC.
RNC	Remuneration and nomination committee of the Board
Section	A section of this Prospectus.
SFO	The Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong, as amended from time to time.
Share(s)	Ordinary fully paid share(s) in the Company.
Shareholder	A holder of Share(s).
Successful Applicant	An Applicant who is issued Shares under the Offer.
TFN	Tax file number.
US or United States	United States of America

US Securities Act	US Securities Act of 1933, as amended.
US\$ or USD	US dollars, the lawful currency of the United States of America.
WFOE	A wholly foreign owned enterprise incorporated in China.

Guide to JIAJIAFU MODERN AGRICULTURE LIMITED Application Form

This Application Form relates to the offer of 17,000,000 fully paid ordinary shares (“Shares”) in JIAJIAFU MODERN AGRICULTURE LIMITED at \$0.30 per Share to raise A\$5,100,000 with up to A\$3,900,000 of oversubscriptions. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus. While the Prospectus is current, the Company will send paper copies of the Prospectus and an Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained below.

- A** Insert the number of Shares you wish to apply for.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of \$0.30.
- C** Write the full name you wish to appear on the statement of holdings. This must be either your own name or the name of the company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that is presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Official Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** The Company will apply to ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited.
If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertificated form on the CHES sub-register, complete Section G or forward your Offer Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment you will be sponsored by the Company and an SRN will be allocated to you.
- G** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- H** Please complete cheque details as requested:
Make your cheque payable to “**Jiajiafu Modern Agriculture Limited**” in Australian currency and cross it “Not Negotiable”. Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

Before completing the Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Offer Application Form.

Privacy – Please refer to the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on this Offer Application Form, the Company may not be able to accept or process your Application.

Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual Use names in full, no initials	<i>Mr John Alfred Smith</i>	<i>JA Smith</i>
Minor (a person under the age of 18) Use the name of a responsible adult; do not use the name of a minor.	<i>John Alfred Smith</i> <Peter Smith>	<i>Peter Smith</i>
Company Use company title, not abbreviations	<i>ABC Pty Ltd</i>	<i>ABC P/L</i> <i>ABC Co</i>
Trusts Use trustee(s) personal name(s), do not use the name of the trust	<i>Mrs Sue Smith</i> <Sue Smith Family A/C>	<i>Sue Smith Family Trust</i>
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	<i>Ms Jane Smith</i> <Est John Smith A/C>	<i>Estate of late John Smith</i>
Partnerships Use partners personal names, do not use the name of the partnership	<i>Mr John Smith and Mr Michael Smith</i> <John Smith and Son A/C>	<i>John Smith and Son</i>

Return your completed Application Form to:

By Post to

Jiajiafu Modern Agriculture Limited
C/- Advanced Share Registry Ltd
PO Box 1156
Nedlands WA 6909

Or Delivered to

Advanced Share Registry Ltd
110 Stirling Hwy
Nedlands WA 6009

Application Forms must be received no later than 5.00 pm WST time on the 16 February 2017

CORPORATE DIRECTORY

Jiajiafu Modern Agriculture Limited

Registered Office

C/- Baker & McKenzie
Level 27, 50 Bridge Street
Sydney NSW 2000

Proposed ASX Code: JJF

Lead Manager and Corporate Adviser

AGC Capital Securities Pty Ltd
Level 36, Gateway
1 Macquarie Place,
Sydney NSW 2000

Australian Legal Adviser

Baker & McKenzie
Level 27, 50 Bridge Street
Sydney NSW 2000

Chinese Legal Adviser

Grandall Law Firm
Level 9, Taikang Financial Tower
38 North Road East Third Ring
Beijing 100026 China

Hong Kong Legal Adviser

Patrick Mak & Tse
16th Floor
Nan Fung Tower
173 Des Vieux Road
Central Hong Kong

Offer website:

www.jjfma.com

JJF Share Offer Information Line

Within Australia: 02 8075 4595
Outside Australia: +86 536 323 6698
Open 8:30am to 5:00pm AEST Monday to Friday

Investigating Accountant

BDO Corporate Finance (East Coast) Pty Ltd
Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne VIC 3008

Auditor and Tax Adviser

BDO East Coast Partnership
Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne VIC 3008

Registry

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

Independent Expert

Frost & Sullivan Australia Pty Ltd
Suite 1, Level 9
189 Kent Street
Sydney NSW 2000

