



家家富现代农业
Jiajiafu Modern Agriculture

JIAJIAFU MODERN AGRICULTURE LIMITED

ABN 82 607 739 159

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

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018
Financial Report

Table of Contents

Corporate Directory	2
Directors' Report	3
Auditor's Independence Declaration	16
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Notes to the Consolidated Financial Statements	21
Directors' Declaration	54
Independent Auditor's Report to the Members of Jiajiafu Modern Agriculture Limited	55
ASX Additional information	59

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Corporate Directory

Directors	Mr Qingkai Li Mr Wenyuan Zhao Mr Zhiguo Li Mr Haizhu Cai
Secretary	Mr Zhiguo Li
Registered Office	C:/ ABL Accounting & Taxation Pty Ltd Suite 402, 368 Sussex Street Sydney NSW 2000
Principal Place of Business in Australia	Suite 402, 368 Sussex Street Sydney NSW 2000
Principal Place of Business in China	13th floor, Block A, New Asia Fortune Plaza Qingzhou, Shandong Province, China
Share Register	Advanced Share Registry Services 110 Stirling Highway Nedlands WA 6009
Auditor	Nexia Melbourne Audit Pty Ltd Level 12, 31 Queen Street Melbourne, VIC 3000
Bankers	ANZ Bank 382 Victoria Ave, Chatswood NSW 2067 ICBC Bank Sydney Branch Level 1, 220 George Street Sydney NSW 2000
Website address	http://www.jjfma.com

Jiajiafu Modern Agriculture Limited

For the year ended 30 June 2018

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity consisting of Jiajiafu Modern Agriculture Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were directors of Jiajiafu Modern Agriculture Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Qingkai Li	
Mr Wenyuan Zhao	
Mr Chen Chik (Nicholas) Ong	(resigned 21 November 2017)
Mr Peter (Yap Ting) Wong	(resigned 21 November 2017)
Mr Zhiguo Li	
Mr Haizhu Cai	(appointed 31 January 2018)

Principal activities

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

Dividends

By the date of this report, the Board is yet to make a decision on dividend payment for the financial year ended 30 June 2018. The Board is currently considering its dividend policy and payout ratio, and will announce its decision at the 2018 Annual General Meeting. There were no dividends paid in financial year 2017.

Review of operations

The Group recorded sales revenue of \$51,900,433 for the financial year ended 30 June 2018, compared to \$39,663,392 for the corresponding period of 2017. This represents an increase of 31%. The sales growth mainly achieved through the increase of yield volume. In addition, the fresh vegetable market condition was better than the prior year with increases in sales prices.

Net profit after tax from continuing operations increased from \$1,760,052 in financial year 2017 to \$5,979,861 in financial year 2018, which was mainly due to the increase in gross profit by \$4 million.

The revenue generated from the sales of fresh produce was \$50.3 million, which increased by \$14.8 million compared to \$35.5 million of revenue recorded in the financial year ended 30 June 2017. In prior year the Group expanded its plantation areas for vegetables growing by 131 hectares and built up 135 new vegetables greenhouses to increase its vegetables growing capacity. Those have been gradually put into use in October 2017. Therefore, the Group achieved an encouraging result due to the increase in the yield volume. Raised sales prices were also contributed to the increase in sales revenue.

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

Jiajiafu Modern Agriculture Limited

For the year ended 30 June 2018

Directors' Report (continued)

Review of operations (continued)

The Group achieved a net profit of \$5,979,861 in the current financial year, which represented an increase of \$4.2 million from \$1,760,052 in financial year 2017. The gross profit increased by \$3.4 million compared to the prior year, which was mainly contributed by the factors as follows:

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

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Events since the end of the financial year

Qingzhou Flood Impact

In August 2018 the Group's eco-park in Qingzhou China suffered from Typhoon "Rumbia" torrential rainfall. The rainfall reached 285mm in Gaoliu Town where the Group's eco-park is located. Although the vegetable crops planted in the greenhouses are largely unaffected, the main structure of the greenhouses was damaged to various degrees, and it needs to be repaired. The Group estimates that the cost of repair will be approximately \$3 million.

No other matters or circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group are as follows:

- ***Expansion of farming facilities and increase of human resource capabilities***
In prior year the Group expanded its plantation areas for vegetables growing by 131 hectares and built up 135 new vegetables greenhouses to increase its vegetables growing capacity. Those have been gradually put into use in October 2017. Therefore, the Group achieved an encouraging result due to the increase in the yield volume. Raised sales prices were also contributed to the increase in sales revenue. Given the achievements in financial year 2018, the Group intends to build up more new vegetables greenhouses on the leased land to increase its vegetables growing capacity.

With the increase in production volume, the Group envisages a need for increased human resources and expertise. The Group will not only expand its labour resources, but also recruit skilled personnel who are able to utilise their expertise in agricultural development, technology and innovation, finance, management or strategic planning to assist the growth of the Company.

- ***Product development***
The Group is dedicated to continuously improving the quality and nutritional value of its fresh produce varieties. 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, the Group plans to acquire Australian wineries to produce wine for Chinese consumers.

Directors' Report (continued)

Likely developments and expected results of operations (continued)

- *Expansion of marketing, branding, sales and distribution channels*
The Group 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. The Group, 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. The Group also intends to update its product packaging to include a QR code that contains digital and detailed information about the product.

Additionally, The Group is looking beyond traditional wholesale and supermarket distribution networks. The Group 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.

- *R&D and research partnerships*
The Group 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. The Group also plans to build more cooperative alliances with other institutions and government bodies to expand its R&D capabilities.

Environmental regulation

The Group carries on business in an industry that is subject to PRC environmental protection law and regulations, including Water Quality Standard for Farmland Irrigation, Standard for Safe Use of Pesticides, Regulations on Agricultural Environmental Protection Work, and Regulations on Agricultural Environmental Monitoring. Companies engaged in fruits and vegetables planting should comply with the law and regulations concerning environmental protection. If a company fails to report or provide false information about the environmental pollution caused by it, it will receive a warning or be penalized.

The Group has been complying with the relevant PRC environmental protection law and regulations.

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State laws.

Information on directors

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

Qingkai Li *Executive Chairman and CEO*

Experience and expertise

Mr Li possesses extensive skills and experience in rural agricultural development and championing agricultural development. As the PRC National People's Congress representative of Weifang City and Qingzhou City, Mr Li is dedicated to agricultural technology development and promoting food safety.

Mr Li has served public interest in his position at the Qingzhou City Public Security Bureau from 1991 to 2008. In 2011, he founded Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd.

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.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Information on directors (continued)

Qingkai Li *Executive Chairman and CEO (continued)*

Expertise / Qualifications	Graduate Diploma in Business Management
Other current directorships	None
Former directorships in last 3 years	None
Interests in shares and options	23,263,102 fully paid ordinary shares, being 42.27% of 55,034,545 ordinary shares held by Juxin Holdings Limited. Mr Li owns 42.27% of the ordinary shares in Juxin Holdings Limited.

Wenyuan Zhao *Executive Director*

Experience and expertise	<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>
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Mr Zhao also has experience in the agribusiness industry. He is an executive president of Australia Zhaoqing Industry and Commerce Association Incorporated, 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.

Expertise / Qualifications	Professional training in technology and management
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Executive Director
Interests in shares and options	None

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Information on directors (continued)

Zhiguo Li *Non-Executive Director (effective until 1 January 2018)*
Executive director and, (effective from 1 January 2018)
Company Secretary (effective from 21 November 2017)

Experience and expertise Mr Li has extensive experiences in financial services, trade and investment sectors.

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 Sanhe Building Materials Technology and Australia Santia Jinnai Culture Development. He was also in an important role involving SIV fund and REIT matters.

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.

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.

Expertise / Qualifications Bachelor of Science
Master of Computer Science

Other current directorships None

Former directorships in last 3 years None

Special responsibilities Chairman of Nomination and Remuneration Committee
Member of Audit and Risk Committee
Company Secretary

Interests in shares and options 2,000,000

Haizhu Cai *Independent, Non-Executive Director*

Experience and expertise Mr Cai is the Chairman of Guotong Longyuan (Beijing) Agricultural Science and Technology Development Co. Ltd and the Chairman of the Beijing Guorui Tongda Development Co. Ltd. Mr Cai has a deeper understanding of agricultural sector.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Information on directors (continued)

Haizhu Cai *Independent, Non-Executive Director (continued)*

Experience and expertise Mr Cai worked as a finance department manager of Beijing City Development Group Co., Ltd. from September 1993 to August 2001. He was the chief financial officer of Haihang Real Estate Co., Ltd. from October 2002 to December 2007. He established Beijing Xiezhong International Investment Co., Ltd. in 2007, Beijing Guorui Tongda Development Co., Ltd. in 2010, Guotong Longyuan (Beijing) Agricultural Science and Technology Development Co., Ltd. in 2012, and Zhongtu Sannong Ecological Agriculture Co., Ltd in 2016.

Mr Cai is a CPPCC member of Shunyi District of Beijing City, Executive Committee Officer of the Federation of Industry and Commerce of Shunyi District of Beijing City, Deputy Director of Friends Exchange Management Committee of China Aging Development Foundation, and Director of Agricultural Working Committee of China Lantu Zhiye Research Institute.

Expertise / Qualifications	Bachelor of Accounting Graduate Diploma of Regional Economy
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Member of Audit and Risk Committee Member of Nomination and Remuneration Committee
Interests in shares and options	1,010,434

Company secretary information

Zhiguo Li *Company Secretary*

Mr Li is Company Secretary of the Company, and he is also an executive director. Refer to Information on directors section for more details.

Meetings of directors

The numbers of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Directors' Meetings		Committee Meetings			
	A	B	Audit Committee		Nomination and Remuneration	
	A	B	A	B	A	B
Qingkai Li	7	7	1	1	1	1
Wenyuan Zhao	7	7	1	1	1	1
Peter (Yap Ting) Wong	2	3	1	1	1	1
Zhiguo Li	7	7	1	1	1	1
Chen Chik (Nicholas)	3	3	1	1	1	1
Ong						
Haizhu Cai	2	2	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Remuneration report – audited

The directors present the Jiajiafu Modern Agriculture Limited Remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- Key Management Personnel (KMP) covered in this report
- Principles used to determine the nature and amount of remuneration
- Details of the remuneration
- Contractual arrangements for executive Key Management Personnel (KMP)
- Non-executive director arrangements
- Share-based compensation
- Additional disclosures relating to Key Management Personnel

a) Key management personnel covered in this report

Name	Position
<i>Non-executive and executive directors</i>	
Qingkai Li	Executive Chairman, CEO
Wenyuan Zhao	Executive Director
Zhiguo Li	Executive Director and Company Secretary
Haizhu Cai	Independent, Non-executive Director (appointed on 31 January 2018)

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

The objective of the Group's executive reward framework is to ensure reward for performance and to ensure the policy will be competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Company's directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. The aim of the Nomination and Remuneration Committee is to structure a remuneration framework that is market competitive and complementary to the reward strategy and goals of the Group.

In accordance with best practice of corporate governance, the structure of non-executive directors and executive remuneration are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, these directors. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Remuneration report – audited (continued)

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

Under ASX listing rules the total amount paid to all Non-executive directors must not exceed in total in any financial year the amount fixed. This amount is currently \$105,000 per annum. All Directors' fees include superannuation at the statutory rate.

Non-Executive Directors may be paid such additional or special remuneration which the Directors decide as appropriate in the circumstances 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.

Executive remuneration

The Group's policy is to aim to reward executives with a mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- performance incentives

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

During the financial year-ended 30 June 2018, the executives' remuneration was only rewarded with fixed amounts.

The table below shows measures of the Group's financial performance over the last 3 years since the Company was incorporated as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the amounts of remuneration to be awarded to KMPs.

	FY2018	FY2017	FY2016
Profit for the year attributable to owners of the Company	\$5,979,861	\$1,760,052	\$1,573,037
Basic earnings per share (cents)	7.02 cents	2.40 cents	2.31 cents
Dividend payments	-	-	-
Total KMP Remuneration	177,631	\$57,391	\$9,968

Voting and comments made at 2017 Annual General Meeting ('AGM')

At the 21 November 2017 AGM, 99.63% of the votes received supported the adoption of the remuneration report for the 2017 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Remuneration report – audited (continued)

c) Details of the remuneration

The following table shows details of the remuneration expense recognised for the Group's executive key management personnel for the current financial year measured in accordance with the requirements of the accounting standards.

Year ended 30 June 2018

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	PRC social security contributions	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive and executive directors</i>								
Qingkai Li*	8,918	-	-	2,110	-	-	-	11,028
Wenyuan Zhao Peter (Yap Ting)	24,277	-	-	-	904	-	-	25,181
Wong	13,078	-	-	-	-	-	-	13,078
Zhiguo Li**	94,722	-	-	-	7,125	-	-	101,847
Chen Chik (Nicholas) Ong	21,542	-	-	-	-	-	-	21,542
Haizhu Cai*	4,955	-	-	-	-	-	-	4,955
	<u>167,492</u>	<u>-</u>	<u>-</u>	<u>2,110</u>	<u>8,029</u>	<u>-</u>	<u>-</u>	<u>177,631</u>

* Those directors are remunerated in Renminbi. The figures shown have been converted to AUD using an average of exchange rate for the year ended 30 June 2018 (AUD:RMB) of 5.0457.

** The remuneration was received by Mr Zhiguo Li including the fees as the Executive Director and the Company Secretary.

Year ended 30 June 2017

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	PRC social security contributions	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive and executive directors</i>								
Qingkai Li*	8,174	-	-	1,922	-	-	-	10,096
Wenyuan Zhao Peter (Yap Ting)	7,669	-	-	-	676	-	-	8,345
Wong	10,906	-	-	-	-	-	-	10,906
Zhiguo Li	10,906	-	-	-	-	-	-	10,906
Chen Chik (Nicholas) Ong	17,138	-	-	-	-	-	-	17,138
	<u>54,793</u>	<u>-</u>	<u>-</u>	<u>1,922</u>	<u>676</u>	<u>-</u>	<u>-</u>	<u>57,391</u>

* The director was remunerated Renminbi. The figures shown have been converted to AUD using an an average of exchange rate for the year ended 30 June 2017 (AUD:RMB) of 5.1383.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Remuneration report – audited (continued)

c) Details of the remuneration (continued)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration	At risk – Short-term Incentives	At risk – Long-term Incentives
	2018	2018	2018
Qingkai Li	100%	-%	-%
Wenyuan Zhao	100%	-%	-%
Peter (Yap Ting) Wong	100%	-%	-%
Zhiguo Li	100%	-%	-%
Chen Chik (Nicholas) Ong	100%	-%	-%

d) Contractual arrangements for executive KMP

Remuneration and other terms of employment for executive members of key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Qingkai Li
Title: Executive Chairman, CEO
Agreement commenced: 21 March 2016
Term of agreement: Ongoing contract
Details: 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.

Name: Wenyuan Zhao
Title: Executive Director
Agreement commenced: 21 March 2016
Actual remuneration started: 9 March 2017
Term of agreement: Ongoing contract
Details: 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.

Directors' Report (continued)

Remuneration report – audited (continued)

d) Contractual arrangements for executive KMP (continued)

Name: Zhiguo Li
Title: Executive Director
Agreement commenced: 25 December 2017
Actual remuneration started: 1 January 2018
Term of agreement: Ongoing contract
Details: Mr Li is Executive Director of the Group. From 1 January 2018, Mr Li will receive an annual fixed remuneration of A\$150,000 as the Executive Director and the Company Secretary. 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 12 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.

e) Non-executive director arrangements

Name: Peter (Yap Ting) Wong
Title: Non-executive Director
Agreement commenced: 2 April 2016
Actual remuneration started: 9 March 2017
Term of agreement: Not fixed
Details: Annual fee of \$35,000

Name: Chen Chik (Nicholas) Ong
Title: Non-executive Director, Company Secretary
Agreement commenced: 2 April 2016
Actual remuneration started: 9 March 2017
Term of agreement: Not fixed
Details: Annual fee of \$35,000 as the Non-executive Director and \$20,000 as the Company Secretary

Name: Haizhu Cai
Title: Non-executive Director
Agreement commenced: 31 January 2018
Actual remuneration started: 1 February 2018
Term of agreement: Not fixed
Details: Annual fee of RMB60,000 (Approximately \$11,891)

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Remuneration report – audited (continued)

f) Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options

There were no options over ordinary shares granted to, or that vested, with directors and other key management personnel as part of compensation during the year ended 30 June 2018.

g) Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Qingkai Li	23,263,102	-	-		23,263,102
Wenyuan Zhao	12,632,629	-		(12,632,629)	-
Zhiguo Li	2,000,000	-		-	2,000,000
Haizhu Cai	-	-	1,010,434	-	1,010,434

Other transactions with key management personnel or their related parties

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

A director, Mr Zhiguo Li, a director of Au Ally Pty Ltd provided consultancy services to the Group. \$91,643 of advisory fee was charged in the current year on normal commercial terms and conditions (2017: nil).

The following balances are outstanding loans provided by key management personnel at the reporting date:

	30 June 2018	30 June 2017
	\$	\$
Loans due to Mr Qingkai Li (CEO)	194,884	168,421
Payable to Mr Wenyuan Zhao	-	516

Loans and payables due to KMP are unsecured, non-interest bearing and payable on demand.

END OF AUDITED REMUNERATION REPORT

Shares under option

There were no unissued ordinary shares of Jiajiafu Modern Agriculture Limited under options at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Jiajiafu Modern Agriculture Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Report (continued)

Indemnity and insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring directors, secretaries and executive officers of the Company and its controlled entities against a liability incurred as director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or any of its controlled entities against a liability incurred as such an officer.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under relevant law for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the year by the auditor.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16. This report is made in accordance with a resolution of directors.

On behalf of the directors



Qingkai Li
Executive Chairman

27 September 2018
Qingzhou, China

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Jiajiafu Modern Agirculture Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Nexia Melbourne Audit Pty Ltd
Melbourne



Richard S. Cen
Director

Dated this 27th day of September 2018

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Consolidated	
		FY2018 \$	FY2017 \$
Revenue from continuing operations	4	52,538,501	39,682,173
Share of profits from interest in associate accounted for using the equity method	17	-	58,593
Other income	5	19,098	140,293
Expenses			
Cost of sales		(44,553,927)	(35,717,684)
Administration expenses		(1,132,743)	(1,407,213)
Sales expenses		(485,707)	(425,766)
Other expenses	6	(133,608)	(271,822)
Interest expenses		(271,753)	(298,522)
Profit before income tax		5,979,861	1,760,052
Income tax expense	7	-	-
Profit for the year		5,979,861	1,760,052
Other comprehensive income			
<i>Items that maybe reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		2,378,512	(1,494,827)
Translation reserve reclassified to profit due to the disposal of associate or subsidiaries		-	(24,139)
Share of the associate's other comprehensive income	17	-	18,630
Other comprehensive income for the year, net of tax		2,378,512	(1,500,336)
Total comprehensive income for the year		8,358,373	259,716
Profit for the year is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		5,979,861	1,760,052
Total comprehensive income for the year is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		8,358,373	259,716
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	8	7.02	2.40
Diluted earnings per share	8	7.02	2.40
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	7.02	2.40
Diluted earnings per share	8	7.02	2.40

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

Jiajiafu Modern Agriculture Limited
As at 30 June 2018

Consolidated Statement of Financial Position

	Notes	Consolidated	
		30 June 2018 \$	30 June 2017 \$
Assets			
Current assets			
Cash and cash equivalents	11	16,782,398	7,850,952
Trade and other receivables	12	3,200,694	2,455,517
Prepayments	13	-	95,481
Inventories		939	492
Biological assets	14	993,904	921,645
Total current assets		<u>20,977,935</u>	<u>11,324,087</u>
Non-current assets			
Property, plant and equipment	15	22,565,221	22,873,138
Prepaid lease assets	16	3,645,322	4,406,071
Intangible assets	18	49,202	47,221
Available-for-sale financial assets	19	102,275	96,030
Total non-current assets		<u>26,362,020</u>	<u>27,422,460</u>
Total assets		<u>47,339,955</u>	<u>38,746,547</u>
Liabilities			
Current liabilities			
Trade and other payables	20	1,044,242	824,179
Borrowings	21	4,090,983	4,071,677
Total current liabilities		<u>5,135,225</u>	<u>4,895,856</u>
Non-current liabilities			
Deferred revenue	22	219,976	224,310
Total non-current liabilities		<u>219,976</u>	<u>224,310</u>
Total liabilities		<u>5,355,201</u>	<u>5,120,166</u>
Net assets		<u>41,984,754</u>	<u>33,626,381</u>
Equity			
Share capital	23	25,960,975	25,960,975
Translation reserve	24	2,084,942	(293,570)
Retained earnings		13,938,837	7,958,976
Total equity		<u>41,984,754</u>	<u>33,626,381</u>

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

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Consolidated Statement of Changes in Equity

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

	Share Capital	Translation reserve	Share-based payment reserve	Retained earnings	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2016	20,822,999	1,206,766	632,162	6,198,924	28,860,851
Profit for the year	-	-	-	1,760,052	1,760,052
Other comprehensive income for the year	-	(1,500,336)	-	-	(1,500,336)
Total comprehensive income for the year	-	(1,500,336)	-	1,760,052	259,716
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	4,301,271	-	-	-	4,301,271
Share-based payments	-	-	204,543	-	204,543
Transfer of reserve	836,705	-	(836,705)	-	-
Balance at 30 June 2017	25,960,975	(293,570)	-	7,958,976	33,626,381

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

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Consolidated Statement of Cash Flows

	Notes	Consolidated	
		FY2018	FY2017
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST/VAT)		51,333,928	39,121,126
Payments to suppliers (inclusive of GST/VAT)		(43,314,193)	(32,842,506)
Government grant receipts		618,944	-
Interest paid		(263,131)	(298,522)
Interest received		19,098	131,027
		<u>8,394,646</u>	<u>6,111,125</u>
Net cash generated from operating activities	31		
Cash flows from investing activities			
Payments for property, plant and equipment		-	(11,782,544)
Proceeds from disposal of property, plant and equipment		-	6,242
Payments for leased assets		-	(2,500,146)
Payments for intangibles		(8,110)	(4,924)
Repayments from associate entity		-	1,440,914
Proceeds from sales of subsidiaries	30	-	188,887
Proceeds from disposal of associate	17	-	3,616,683
		<u>(8,110)</u>	<u>(9,034,888)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares/capital contribution	23	-	5,155,196
Share issue transaction costs		-	(522,052)
Proceeds from borrowings		3,963,771	4,125,878
Repayments of borrowings		(4,201,597)	(4,542,358)
Advances from related parties		10,364	-
Repayment of related party loans		-	(12,167)
		<u>(227,462)</u>	<u>4,204,497</u>
Net cash generated from financing activities			
Net increase in cash and cash equivalents		8,159,074	1,280,734
Cash and cash equivalents at the beginning of year		7,850,952	6,941,707
Effects of exchange rate changes on cash and cash equivalents		772,372	(371,489)
		<u>16,782,398</u>	<u>7,850,952</u>
Cash and cash equivalents at the end of year	11		

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

Jijiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements

Note 1 Corporate Information

The financial statements of Jijiafu Modern Agriculture Limited for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 27 September 2018 and cover the Group consisting of Jijiafu Modern Agriculture Limited and its subsidiaries.

The financial statements are presented in Australian dollars.

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

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

Note 2 Summary of Significant Accounting Policies

a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Jijiafu Modern Agriculture Limited and its subsidiaries at 30 June 2018 ("the Group"). The Group was restructured as part of an IPO process and the transaction represents a common control transaction.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Where shareholding is less than one-half of the voting rights, the Group is considered to have control over the entity when it can exercise power over more than one-half of its voting rights by virtue of an agreement with other shareholders.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 2 Summary of Significant Accounting Policies (continued)

b) Basis of consolidation (continued)

Pooling of interest method

The Group has used the pooling of interest methodology where there is common control within the combining entity prior to the combination. At the time of the acquisition transaction, the combining entities are ultimately controlled by the same party or parties.

Under the pooling method the assets and liabilities of the acquired entities are recorded at book value not fair value and no goodwill is recorded. Any costs of the combination are expensed as incurred.

Comparatives period are also re-stated to the beginning of the earliest comparative period.

Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Potential voting rights that are currently exercisable or convertible are considered when assessing control.

Consolidated financial statements include all the subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra Group transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

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.

Investments in subsidiaries are accounted for in the parent entity financial statements at cost.

c) Foreign currency translation

The financial statements are presented in Australian dollars. The functional currency of Jiajiafu Modern Agriculture Limited and its subsidiaries is Chinese Yuan Renminbi.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency 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.

Notes to the Consolidated Financial Statements (continued)

Note 2 Summary of Significant Accounting Policies (continued)

c) Foreign currency translation (continued)

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 translation reserve in equity.

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

d) Revenue and other income

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.

Interest

Interest is recognised as revenue 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.

e) 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.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 2 Summary of Significant Accounting Policies (continued)

e) Income tax (continued)

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.

f) Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed 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 within the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

g) 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.

h) 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 Group 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.

i) Biological assets

Biological assets comprise vegetables that are to be harvested, which are measured at fair value less costs to sell in accordance with AASB 141 *Agriculture*.

The market prices are 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.

The changes in fair value of vegetables includes movements in fair value as a result of both physical and price changes, are recognised in cost of sales on the income statement.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 2 Summary of Significant Accounting Policies (continued)

j) 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.

k) Associates

Associates are entities over which the consolidated 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 consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. 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 consolidated 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.

l) 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	5-20 years
Green house	10-20 years
Office and other equipment	3-20 years
Leasehold improvement	Over the lease term
Motor vehicles	8-10 years
Bearer Plant	2 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.

Notes to the Consolidated Financial Statements (continued)

Note 2 Significant accounting policies (continued)

m) 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.

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.

n) Prepaid lease assets

Prepaid rental of buildings

The Group prepaid rental to lease buildings located in villages in China. The prepaid rental are amortised using the straight-line method over the lease term, which is 20- 50 years according to the lease contracts.

Prepaid rental of farmland

The Group prepaid rental to lease farmlands located in China, with lease term from 2-13 years. The prepaid rental are amortised throughout the lease term using the straight-line method over the lease term.

o) Impairment of non-financial assets

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.

p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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.

q) 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.

r) 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.

s) 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.

Notes to the Consolidated Financial Statements (continued)

Note 2 Significant accounting policies (continued)

t) 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.

u) 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 interest. 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.

u) 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.

v) Contributed equity

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.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 2 Significant accounting policies (continued)

w) Goods and services tax ('GST') and other similar taxes

GST

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position.

Chinese Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the local tax office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of VAT.

Cash flows are presented on a gross basis. The GST and VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST or VAT recoverable from, or payable to, the tax authority.

x) Financial instruments

Financial assets

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Classification

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets of the Group are classified as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Notes to the Consolidated Financial Statements (continued)

Note 2 Summary of Significant Accounting Policies (continued)

x) Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivatives that are not designated as held for trading or that are not designated as "at fair value through profit and loss". They are included in non-current assets unless the investment matures or management intend to dispose of it within 12 months of the end of the reporting period.

Investments classified as available-for-sale are held at fair value if this can be reliably measured. If the equity instruments are not quoted in an active market and their fair value cannot be reliably measured, the available-for-sale investment is carried at cost, less accumulated impairment. Unless the valuation falls below its original cost, gains and losses arising from changes in fair value of available-for-sale assets are recognised directly in equity. On disposal the cumulative net gain or loss is transferred to the statement of comprehensive income. Valuations below cost are recognised as impairment losses in the Consolidated Income Statement. Dividends are recognised in the Consolidated Income Statement when the right to receive payment is established.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

y) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of Jiajiafu Modern Agriculture Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

z) Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Group 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.

Notes to the Consolidated Financial Statements (continued)

Note 2 Summary of Significant Accounting Policies (continued)

z) Critical accounting judgments, estimates and assumptions (continued)

Provision for impairment of receivables

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

Fair value of biological assets

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

Recognition of buildings with pending legal title ownership

The Group has recognised buildings with pending legal title ownership as property, plant and equipment. The recognition is on the basis that the Group 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 Group's current use of these assets to generate future economic benefits.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Unrecognition of deferred tax asset for carried forward tax losses

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

Notes to the Consolidated Financial Statements (continued)

Note 2 Summary of Significant Accounting Policies (continued)

aa) Accounting standards issued, not yet effective

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed 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. Management anticipates that the application of AASB 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of the adoption of AASB 9 until the group performs a detailed review. The Group will adopt this standard from 1 July 2018.
- **AASB 15: *Revenue from Contracts with Customers***
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.

Notes to the Consolidated Financial Statements (continued)

Note 2 Summary of Significant Accounting Policies (continued)

bb) Accounting standards issued, not yet effective (continued)

- **AASB 15: *Revenue from Contracts with Customers* (continued)**
Management anticipates that the application of AASB 15 in the future may have impacts on the amounts reported and disclosures made in the Group's financial statement. However, it is not practicable to provide a reasonable estimate of the effect of the adoption of AASB 15 until the group performs a detailed review. The Group will adopt this standard from 1 July 2018.
- **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. The Group does not expect to early adopt this standard. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date the Group has non-cancellable operating leases commitments of \$15,025,327, see note 32.

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses; and
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

All other pending Standards issued have no application to the Group.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 3 Segment Reporting

Description of segment

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

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

Entity-wide disclosures

Geographical information

Sales revenue from continuing operations by geographical location is as follows:

	Consolidated	
	FY2018	FY2017
	\$	\$
China	<u>51,900,433</u>	<u>39,663,392</u>

Revenue by products

Sales revenue from continuing operations by products is as follows:

	Consolidated	
	FY2018	FY2017
	\$	\$
Fresh produce	50,299,151	35,545,395
Agriculture supplies	<u>1,601,282</u>	<u>4,117,997</u>
	<u>51,900,433</u>	<u>39,663,392</u>

Major customers

Sales revenue of \$29,063,357 (2017: \$32,127,348) is derived from three single customers (2017: four) who in total account for 56% (2017: 81%) of external sales revenue.

Note 4 Revenue

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

Note 5 Other Income

	Consolidated	
	FY2018	FY2017
	\$	\$
Interest income	19,098	131,027
Foreign exchange gain	-	7,977
Other income	<u>-</u>	<u>1,289</u>
	<u>19,098</u>	<u>140,293</u>

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 6 Expenses

		Consolidated	
	Note	FY2018	FY2017
		\$	\$
Depreciation		<u>2,764,930</u>	<u>1,250,338</u>
Amortisation of intangibles		<u>10,790</u>	<u>10,997</u>
Amortisation of prepaid lease assets		<u>1,014,694</u>	<u>620,057</u>
Employee benefits expense		<u>742,985</u>	<u>561,526</u>
Professional service fee in relation to IPO (inclusive of share-based payments)		<u>-</u>	<u>511,735</u>
<i>Rental expenses relating to operating leases</i>			
Minimum lease payments		<u>682,266</u>	<u>674,773</u>
<i>Other expenses</i>			
Loss on reduction of ownership interest in associate	a)	-	201,109
Others		<u>133,608</u>	<u>70,713</u>
Total other expenses		<u>133,608</u>	<u>271,822</u>

a) Loss on reduction of ownership interest in associate

On 8 May 2017 the Group disposed of 11.03% of its ownership interest in its associate, Qingzhou Jiajiafu Fruits and Vegetables Professional Cooperative ('The Cooperative'). Refer to Note 17 for more information.

Note 7 Income Tax Expenses

		Consolidated	
		FY2018	FY2017
		\$	\$
<i>Income tax expense</i>			
Current tax		<u>-</u>	<u>-</u>

Numerical reconciliation of income tax expense and tax at the statutory rate

		Consolidated	
	Note	FY2018	FY2017
		\$	\$
Profit before income tax expense from continuing operation		5,979,861	1,760,052
Less: Tax-free income	b)	(6,475,949)	(1,624,112)
Tax (loss)/profit at the statutory tax rate of 30% (2017: 30%)		(148,826)	40,782
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Non-taxable income: share of net profits of associates		-	(16,318)
Non-taxable income: others		-	(14,287)
Non-deductible entertainment expenses		2,350	1,499
Non-deductible fines and penalties		17,923	-
Non-deductible other expenses		17,631	1,077
Utilisation of unrecognised deferred tax		(67,805)	(116,732)
Unrecognised deductible temporary differences		1,069	29,126
Deferred tax asset not recognised for losses		177,590	95,004
Difference in overseas tax rates		<u>68</u>	<u>(20,151)</u>
Income tax expense		<u>-</u>	<u>-</u>

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 7 Income Tax Expenses (continued)

a) Applicable income tax rate

The applicable income tax rate in 2018 and 2017 for Hong Kong subsidiaries is 16.5% and PRC subsidiaries is 25%.

b) According to Chinese tax regulations, the sales of vegetables and agriculture products are exempted from income tax. Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd. has obtained the tax exemption certificate for the sales of agriculture products and vegetables for year 2018 and year 2017.

c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the statement of financial position for the following items:

	Consolidated	
	FY2018	FY2017
	\$	\$
Unused tax losses	1,975,818	3,177,814
Deductible temporary differences	<u>348,047</u>	<u>459,854</u>
Potential benefit at 30% in Australia, and 25% in P.R China	<u>2,323,865</u>	<u>948,244</u>

Based on the available objective evidence, including the Group's history of taxable losses from tax exemption, management believes it is more likely than not that the net deferred tax assets position of the Group will not be fully realisable in the future. Accordingly, the Group did not recognise any deferred tax assets as at 30 June 2018 and 30 June 2017.

Note 8 Earnings per Share

	Consolidated	
	FY2018	FY2017
	Cents	Cents
<i>Basic earnings per share</i>		
From continuing operations attributable to the ordinary equity holders of the Company	<u>7.02</u>	<u>2.40</u>
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>7.02</u>	<u>2.40</u>

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	FY2018	FY2017
	\$	\$
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	<u>5,979,861</u>	<u>1,760,052</u>
	<u>5,979,861</u>	<u>1,760,052</u>
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	<u>5,979,861</u>	<u>1,760,052</u>
	<u>5,979,861</u>	<u>1,760,052</u>

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 8 Earnings per Share (continued)

	Consolidated	
	FY2018	FY2017
	\$	\$
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>85,183,987</u>	<u>73,367,053</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>85,183,987</u>	<u>73,367,053</u>

Diluted earnings per share are equal to basic earnings per share as the Group has not issued any dilutive instruments.

Note 9 Auditor's Remuneration

During the year, the following fees were paid or payable for services to Nexia Melbourne Audit Pty Ltd and the component auditor:

	Consolidated	
	FY2018	FY2017
	\$	\$
Audit services		
Nexia for audit or review of the financial statements for the entity or any entity in the Group	42,000	-
Component auditor for audit or review of the financial statements for any entity in the Group	59,457	-
BDO for audit or review of the financial statements for the entity or any entity in the Group	-	143,385
Total	<u>101,457</u>	<u>143,385</u>
Other services		
BDO Corporate Finance (East Coast) Pty Ltd for Investigating Accountant's report as part of IPO process of Jiajiafu Modern Agriculture Limited	-	79,500
Taxation services		
BDO East Coast Partnership for Tax compliance and advisory services	-	4,000
	<u>101,457</u>	<u>226,885</u>

Note 10 Dividends

By the date of this report, no dividend for the financial year ended 30 June 2018 has been declared or paid to shareholders by the Group (2017: nil).

Note 11 Current Assets - Cash and Cash Equivalents

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

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 11 Current Assets - Cash and Cash Equivalents (continued)

Credit risk

The maximum exposure to credit risk is the fair value of cash and cash equivalents. Refer to note 26 for more information relating to the risk management policy of the Group.

Note 12 Current Assets - Trade and Other Receivables

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Trade receivables	3,196,464	2,379,189
Other receivables		
Receivable from disposal of subsidiaries		-
Loan due from associate entity		-
Refundable GST	951	73,249
Others	3,279	3,079
	<u>3,200,694</u>	<u>2,455,517</u>

Refer to note 27 for more information relating to loan due from associate entity.

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to nil (2017: nil).

The Group did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

All other trade receivables are with long standing customers who have sound credit histories. It is expected that these amounts will be received when due.

The Group does not hold any collateral in relation to the receivables (2017: nil).

Fair value and credit risk

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

The maximum exposure to credit risk is the fair value of receivables. Refer to note 26 for more information relating to the risk management policy of the Group.

Note 13 Current Assets - Prepayments

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Others	-	95,481
	<u>-</u>	<u>95,481</u>

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 14 Current Assets – Biological Assets

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Biological assets – at fair value	<u>993,904</u>	<u>921,645</u>

a) Reconciliation of changes in carrying amount of biological assets

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Opening balance at 1 July	921,645	872,446
Change in fair value	(11,355)	187,523
Increase due to purchases	41,850,067	30,460,437
Decrease due to harvests	(41,826,767)	(30,551,871)
Net exchange difference	<u>60,314</u>	<u>(46,890)</u>
Closing balance at 30 June	<u>993,904</u>	<u>921,645</u>

b) Measurement of fair values

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

c) Risk management strategy related to biological activities

Regulatory and environmental risks

The Group is subject to law and regulations in the various locations in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other relevant law.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of all its vegetables. Management performs regular industry trend analyses to project harvest volumes and pricing. Where possible, the Group manages this risk by aligning its harvest volume to market supply and demand.

Climate and other risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating these risks, including protected cropping techniques across most crops.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 15 Non-Current Assets - Property, Plant and Equipment

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Buildings & Plant Facilities - at cost	4,992,865	4,688,021
Less: Accumulated depreciation	<u>(2,415,657)</u>	<u>(1,872,115)</u>
	<u>2,577,208</u>	<u>2,815,906</u>
Green House	23,352,715	21,926,893
Less: Accumulated depreciation	<u>(3,730,368)</u>	<u>(2,438,797)</u>
	<u>19,622,347</u>	<u>19,488,096</u>
Office and Other Equipment	92,741	87,079
Less: Accumulated depreciation	<u>(61,192)</u>	<u>(49,280)</u>
	<u>31,549</u>	<u>37,799</u>
Motor Vehicles	383,358	359,952
Less: Accumulated depreciation	<u>(98,780)</u>	<u>(61,188)</u>
	<u>284,578</u>	<u>298,764</u>
Bearer Plant	396,314	372,117
Less: Accumulated depreciation	<u>(346,775)</u>	<u>(139,544)</u>
	<u>49,539</u>	<u>232,573</u>
Construction in Progress	<u>-</u>	<u>-</u>
Total Property, Plant and Equipment – at cost	29,217,993	27,434,062
Less: Accumulated depreciation	<u>(6,652,772)</u>	<u>(4,560,924)</u>
Total Net Property, Plant and Equipment	<u>22,565,221</u>	<u>22,873,138</u>

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 15 Non-Current Assets - Property, Plant and Equipment (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year is as follows:

Consolidated	Buildings & Plant facilities \$	Green House \$	Office and Other Equipment \$	Motor Vehicles \$	Bearer Plant \$	Construction in Progress \$	Total \$
Balance at 1 July 2016	3,403,358	7,072,999	60,606	258,273	-	2,379,215	13,174,451
Additions	13,187	3,428,760	-	81,542	377,070	7,881,984	11,782,543
Transfers	-	10,166,787	-	-	-	(10,166,787)	-
Disposals	-	-	(6,242)	-	-	-	(6,242)
Depreciation expense	(431,394)	(640,355)	(10,362)	(26,826)	(141,401)	-	(1,250,338)
Exchange differences	(169,245)	(540,095)	(6,203)	(14,225)	(3,096)	(94,412)	(827,276)
Balance at 30 June 2017	2,815,906	19,488,096	37,799	298,764	232,573	-	22,873,138
Depreciation expense	(408,691)	(1,097,754)	(8,438)	(32,568)	(191,995)	-	(1,739,446)
Exchange differences	169,993	1,232,005	2,188	18,382	8,961	-	1,431,529
Balance at 30 June 2018	<u>2,577,208</u>	<u>19,622,347</u>	<u>31,549</u>	<u>284,578</u>	<u>49,539</u>	<u>-</u>	<u>22,565,221</u>

As at 30 June 2018, there was one building with a net carrying value of \$1,258,651 included in Building & Plant Facilities above was without legal title ownership (2017: \$1,201,868). Refer to note 2 (aa) for details of the basis of recognition.

Property, plant and equipment pledged as security

The Group pledged \$202,439 of its motor vehicles to a bank to secure a loan borrowed by its related party, Qingzhou Jiajiafu Fruits and Vegetables Professional Cooperative ('the Cooperative'). The Group owns 0.3% of ownership interest of the Cooperative. Refer to note 19 for more information in relation to the Cooperative.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 16 Non-Current Assets - Prepaid Lease Assets

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

Reconciliations

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

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Balance at 1 July	4,406,071	2,691,438
Additions	-	2,500,146
Amortisation expense	(1,014,694)	(620,057)
Exchange differences	<u>253,945</u>	<u>(165,456)</u>
Balance at 30 June	<u>3,645,322</u>	<u>4,406,071</u>

Note 17 Non-Current Assets - Investment Accounted for Using the Equity Method

Information relating to the associate entity is set out below.

Name of Company	Country of incorporation	Nature of relationship	Ownership interest	
			30 June 2018	30 June 2017
Qingzhou Jiajiafu Fruits and Vegetables Professional Cooperative ("The Cooperative")	People's Republic of China	Associate	0.3%	0.3%

Reconciliations

Reconciliations of the carrying values of the investment at the beginning and end of the current and previous financial year are set out below:

		Consolidated	
	Note	30 June 2018	30 June 2017
		\$	\$
Balance at 1 July		-	3,986,194
Investment disposed during the year	a)	-	(3,823,524)
Share of profit after income tax		-	58,593
Share of other comprehensive income		-	18,630
Remaining investment transferred out	19	-	(97,704)
Exchange difference		<u>-</u>	<u>(142,189)</u>
Balance at 30 June		<u>-</u>	<u>-</u>

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 17 Non-Current Assets - Investment Accounted for Using the Equity Method (continued)

a) Disposal of interests in associate

On 8 May 2017 the Group disposed of 11.03% of its ownership interest in its associate, Qingzhou Jiajiafu Fruits and Vegetables Professional Cooperative ('The Cooperative'), for total proceeds of RMB 18,410,000 (\$3,616,683). The Group retained 0.3% ownership interest, and from the date of selling the 11.03% ownership interest, the investment has been reclassified as an available-for-sale financial asset (note 19).

The financial information in relation to those disposals is set out as below.

i) The loss on sale of the Group ownership interest in The Cooperative has been calculated as follows:

	Consolidated FY2017 \$
Fair value of cash consideration received	3,616,683
Fair value of retained investment	97,704
	<u>3,714,387</u>
Less: Carrying value of investment on the date of loss of significant influence	(3,921,230)
Exchange difference	5,734
	<u> </u>
Loss on ownership interest sold	<u>(201,109)</u>

ii) Net cash flow on disposal of the ownership interest in The Cooperative:

	Consolidated FY2017 \$
Consideration received in cash and cash equivalents	<u>3,616,683</u>

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 17 Non-Current Assets - Investment Accounted for Using the Equity Method (continued)

Summarised financial information of associate

	The Cooperative 8 May 2017 \$
<i>Summarised statement of financial position</i>	
Current assets	13,294,376
Non-current assets	<u>23,807,126</u>
Total assets	<u>37,101,502</u>
Current liabilities	<u>(1,684,171)</u>
Total liabilities	<u>(1,684,171)</u>
Net assets	<u><u>35,417,331</u></u>
	The Cooperative 1 July 2016 to 8 May 2017 \$
<i>Summarised statement of financial position</i>	
Revenue	12,733,011
Expenses	<u>(11,981,590)</u>
Profit before income tax	<u>751,421</u>
Profit after income tax	751,421
Other comprehensive income	<u>18,630</u>
Total comprehensive income	<u><u>770,051</u></u>

According to the constitution of The Cooperative, retained earnings shall be appropriated to the statutory reserve up to 20% of the net profit for the year. 65% of the remaining unappropriated profit will be returned to the members of The Cooperative in proportion to the transaction amount between The Cooperative and its members. The remaining 35% of the unappropriated profit can be distributed to The Cooperative's investors based on their interest into The Cooperative. In this case, the Group can share 5.44% of the Cooperative's net profit for the year 2017. The Cooperative has not declared any profit distribution during the year ended 30 June 2017.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 18 Non-Current Assets - Intangibles

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Intellectual property - at cost	80,866	66,495
Less: Accumulated amortisation	<u>(31,664)</u>	<u>(19,274)</u>
	<u>49,202</u>	<u>47,221</u>

Reconciliations

Reconciliations of the written down value at the beginning and end of the current and previous financial year are set out below:

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Balance at 1 July	47,221	56,152
Additions	9,735	4,924
Amortisation expense	(10,790)	(10,997)
Exchange differences	<u>3,036</u>	<u>(2,858)</u>
Balance at 30 June	<u>49,202</u>	<u>47,221</u>

Note 19 Non-Current Assets – Available-for-Sale Financial Assets

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Unlisted equity investment – at cost	<u>102,275</u>	<u>96,030</u>

Unlisted equity investment comprises the investment in Qingzhou Jiajiafu Fruits and Vegetables Professional Cooperative ('the Cooperative'), which has no longer been treated as an associate of the Group due to the loss of significant influence. As a result, the remaining 0.3% of ownership interest was reclassified as available-for-sale financial assets. Refer to note 17 for more information.

The investment in the Cooperative are not quoted in an active market and their fair value cannot be reliably measured. As such, the investment the Cooperative is measured at cost less accumulated impairment. The Group does not intend to dispose of this investment in the next 12 months.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 20 Current Liabilities - Trade and Other Payables

	Note	Consolidated	
		30 June 2018 \$	30 June 2017 \$
Trade payables		-	12,616
Other payables			
Loans due to directors	a)	194,884	168,937
Payables assumed during acquisition of subsidiary	b)	211,188	199,960
Accrued rental		352,084	330,585
Payables to other related parties		-	1,921
Others		286,086	110,160
		<u>1,044,242</u>	<u>824,179</u>

- a) Loans due to directors are interest free, unsecured and at call. Refer to the remuneration report for details.
- b) The payable of RMB 1,041,069 equivalent to \$211,188 as at 30 June 2018 (2017: \$199,960) were assumed during the acquisition of the subsidiary, JJF Shenzhen.

Note 21 Current Liabilities - Borrowings

	Note	Consolidated	
		30 June 2018 \$	30 June 2017 \$
Unsecured			
BOC Fudeng Village Bank		-	230,472
Secured			
Bank of Weifang			-
Shanghai Pudong Development Bank	a)	<u>4,090,983</u>	<u>3,841,205</u>
		<u>4,090,983</u>	<u>4,071,677</u>

- a) On 17 January 2017 and 19 January 2017, the Group renewed two loans with a total principal of RMB 20 million equivalents to \$3,841,205 from Shanghai Pudong Development Bank ('SPDB') with an annual interest rate of 6.525%. This loan is guaranteed by Mr Li, CEO and Director of the Group, and his wife personally and a Chinese state-owned company. The loans were repaid on their maturity

On 24 January 2018, the Group borrowed a loan with a total principal of RMB 20 million equivalents to \$4,090,983 from Shanghai Pudong Development Bank ('SPDB') with an annual interest rate of 7.83%. This loan is guaranteed by a Chinese state-owned company. The loan has been fully repaid on 24 July 2018.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 22 Non-current Liabilities – Deferred Revenue

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Assets-related government grant	<u>219,976</u>	<u>224,310</u>

Relates to amounts received from the local government for the construction of farming facilities and greenhouses. The construction was completed and the relevant farming facilities and greenhouses were capitalised as property, plant and equipment during the year 2014.

Note 23 Equity – Share Capital

(a) Share capital

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

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

(b) Movements in share capital

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

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can provide returns for shareholders, and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 23 Equity – Share Capital (continued)

(c) Capital risk management (continued)

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

There have been no significant changes to the Group's capital management objectives, policies, and processes in the year nor has there been any change in what the Group considers to be its capital.

Note 24 Equity – Reserves

Movements in Reserve

Movements in each class of reserve during the current and previous financial year are set out below:

		Consolidated	
		30 June	30 June
	Notes	2018	2017
		\$	\$
Foreign currency translation reserve			
Balance at 1 July		(293,570)	1,206,766
Foreign currency translation		2,378,512	(1,494,827)
Share of the associate's foreign currency translation reserve		-	18,630
Reclassified to profit or loss	29	-	(24,139)
		<hr/>	<hr/>
Balance at 30 June		2,084,942	(293,570)
		<hr/>	<hr/>
Share-based payment reserve			
Balance at 1 July		-	632,162
Share-based payments		-	204,543
Transferred to share capital		-	(836,705)
		<hr/>	<hr/>
Balance at 30 June		-	-
		<hr/>	<hr/>

Foreign currency translation reserve

The reserve is used to recognise exchange difference arising from translation of the financial statements of foreign operations to Australian dollars.

Share-based payment reserve

Share-based payment reserve is related to a share-based payment transaction which involved the Group issuing its shares for financial advisory service provided by an external party to the Group. Refer to note 25 for detail of the share-based payment.

Note 25 Share-based Payments

Pursuant to the Financial Advisory Agreement between the Group and Beijing Zhan Teng Bo Run Investment Management Co., Ltd ("Eagle International") signed in October 2014, the parent of the Group, Jiajiafu Modern Agriculture Limited has issued shares on 19 April 2016 to Zhang Teng Bo Run Investment Ltd and Butterfly Wings 1501 Limited, the related parties of Eagle International. The financial advisory services provided by Eagle International is for the period up until successful listing on the ASX.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 25 Share-based Payments (continued)

According to the service agreement, shares issued equal to an estimated market value of RMB 4,367,601 (or approximately \$836,705). The fair value of the services provided is based on the value of the services negotiated between the consolidated entity and Eagle International. The net impact on the consolidated entity's net profit after tax arising from this share-based payment transaction was \$204,543 for the year ended 30 June 2017.

Note 26 Financial Risk Management

Financial risk management objectives

The Group's principal financial instruments comprise trade and other receivables, trade and other payables, borrowings and cash and cash equivalents. The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

The Group's risk management framework is supported by the Board and management. The Board is responsible for approving and reviewing the consolidated entity's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. Management is also responsible for identifying, monitoring and managing significant business risks faced by the consolidated entity and considering the effectiveness of its internal control system. Management reports to the Board.

Interest risk

The consolidated entity is not exposed to any significant interest risk, since all borrowings held as at 30 June 2018 and 30 June 2017 were at fixed interest rate and loan due from shareholders and other external parties are interest free.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

	Consolidated	
	30 June 2018	30 June 2017
	\$	\$
Carrying value of financial assets		
Cash and cash equivalents	16,782,398	7,850,952
Trade and other receivables	<u>3,200,694</u>	<u>2,382,268</u>
	<u>19,983,092</u>	<u>10,233,220</u>

Trade receivables are managed closely to ensure exposure to bad debts is minimised. The credit period is generally one to three months after the issuance of invoice. The receivables relate to a number of independent customers with no recent history of default.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of financial asset is the carrying amount of those assets, which is net of impairment losses.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 26 Financial Risk Management (continued)

Concentration of credit exposure analysis

Except for the fact that included in loans and receivables are four significant customers, account for 81% of trade receivables at 30 June 2018 (2017: 88%). There was no other concentration of credit risk with respect to current receivables as the Group.

99% of the total cash at bank was deposited in one bank in China at 30 June 2018 (2017: 91%).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities. There were no changes in the Group's liquidity risk management policies from previous years.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities.

	Weighted average interest rate	Carrying amount	Contractual cash flows	1 year or less	Between 1 and 2 years
	%	\$	\$	\$	\$
Consolidated – 30 June 2018					
Trade and other payables	-	1,044,242	1,044,242	1,044,242	-
Interest-bearing loan	7.83	4,090,983	4,121,236	4,121,236	-
		<u>5,135,225</u>	<u>5,165,478</u>	<u>5,165,478</u>	<u>-</u>
Consolidated – 30 June 2017					
Trade and other payables	-	824,179	824,179	824,179	-
Interest-bearing loan	6.58	4,071,677	4,216,922	4,216,922	-
		<u>4,895,856</u>	<u>5,041,101</u>	<u>5,041,101</u>	<u>-</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27 Related Party Transactions

Ultimate parent

The parent entity and the ultimate parent of the Group is Jiajiafu Modern Agriculture Limited.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Associates

Interests in an associate are set out in note 17.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 27 Related Party Transactions (continued)

Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2018.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Short-term employee benefits	167,492	54,793
Post-employment benefits	10,139	2,598
	<hr/>	<hr/>
Total KMP Compensation	177,631	57,391

Transactions with related parties

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

A director, Mr Zhiguo Li, is a director of Au Ally Pty Ltd provided consultancy services to the Group. \$91,643 of advisory fee was charged in the current year on normal commercial terms and conditions (2017: nil).

Amount due from/to related parties

The following balances are outstanding loans provided by/to related parties at the reporting date:

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Loans due to related parties		
Loans due to Mr Qingkai Li (CEO and Director)	194,884	168,421
Payable to Mr Wenyuan Zhao (Director)	-	516
Payable to other related party	-	1,921

Terms and conditions

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

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 28 Parent Entity

The following information relates to the parent entity Jiajiafu Modern Agriculture Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 2.

	Parent	
	30 June 2018	30 June 2017
	\$	\$
Current assets	3,517,474	3,981,795
Non-current assets	893,389	836,705
Total assets	4,410,863	4,818,500
Current liabilities	23,758	3,597
Total liabilities	23,758	3,597
Share capital	5,137,976	5,137,976
Accumulated losses	(1,037,569)	(317,510)
Translation reserve	286,698	(5,563)
Total equity	4,387,105	4,814,903
	Parent	
	FY2018	FY2017
	\$	\$
Loss for the year	(720,059)	(317,510)
Other comprehensive income for the year	292,261	(5,563)
Total comprehensive income for the year	(427,798)	(323,073)

Contingent liabilities

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

Contractual commitments for the acquisition of property, plant and equipment

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

Note 29 Interests in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 2.

Name	Country of incorporation	Ownership interest	
		2018	2017
		%	%
Jiajiafu Modern Agriculture (HK) Limited	Hong Kong	100	100
Ximen Packing Materials (Shenzhen) Co., Ltd.	People's Republic of China	100	100
Qingzhou Jiajiafu Modern Agriculture Group Co., Ltd.	People's Republic of China	100	100
Qingzhou Jiajiafu Outsourcing Service Co., Ltd. (i)	People's Republic of China	65	65

(i) The subsidiary was incorporated in the People's Republic of China in May 2015 which is dormant.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 30 Reconciliation of Profit after Income Tax to Net Cash from Operating Activities

	Consolidated	
	FY2018	FY2017
	\$	\$
Profit after income tax expense for the year	5,979,861	1,760,052
Adjustments for:		
Depreciation and amortisation	2,764,930	1,881,392
Share-based payments	-	204,543
Share of profit from associate	-	(58,593)
Net loss/(gain) on disposal of investments	-	201,109
Change in operating assets and liabilities:		
Increase in trade and other receivables	(558,676)	(538,437)
Decrease in prepayments	98,528	2,856,459
Increase in biological assets	(11,945)	(96,088)
(Increase)/Decrease in inventories	(402)	9,416
Increase/(Decrease) in trade and other payables	140,682	(89,947)
Decrease in non-current deferred revenue	(18,332)	(18,781)
	<u>8,394,646</u>	<u>6,111,125</u>
Net cash generated from operating activities	<u>8,394,646</u>	<u>6,111,125</u>

Note 31 Contingent Liabilities

The Group had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Note 32 Commitments

Operating lease commitments

Operating lease commitments includes contracted amounts for farmlands under non-cancellable operating leases expiring within 11 to 12 years.

	Consolidated	
	30 June	30 June
	2018	2017
	\$	\$
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	709,210	1,360,214
One to five years	7,268,004	5,438,246
More than five years	7,048,113	8,669,695
	<u>15,025,327</u>	<u>15,468,155</u>

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Notes to the Consolidated Financial Statements (continued)

Note 33 Events after the End of the Reporting Period

Qingzhou Flood Impact

In August 2018 the Group's eco-park in Qingzhou China suffered from Typhoon "Rumbia" torrential rainfall. The rainfall reached 285mm in Gaoliu Town where the Group's eco-park is located. Although the vegetable crops planted in the greenhouses are largely unaffected, the main structure of the greenhouses was damaged to various degrees, which needs to be repaired. The Group estimates that the cost of repair will be approximately \$3 million.

No other matters or circumstances have arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporation Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Qingkai Li
Executive Chairman

27 September 2018
Qingzhou, China

Independent Auditor's Report to the Members of Jiajiafu Modern Agriculture Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Jiajiafu Modern Agriculture Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Jiajiafu Modern Agriculture Limited is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Biological Assets</p> <p>Refer to note 14</p> <p>At 30 June 2018, the Group has various vegetables classified as biological assets.</p> <p>The Group's accounting policy is to measure the biological assets at fair value less cost to sell. Given the nature of the assets, those vegetables are independently valued by management's expert each reporting period and a valuation report is obtained.</p> <p>This is a key audit matter due to the subjectivity of judgement and key assumptions on accounting estimates involved in the valuation methodology.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We have discussed the risk assessment and audit strategy with the component auditors in regards to the biological assets balance. • We have reviewed the audit work papers of the component auditors in respect of the biological assets whose procedures included: <ul style="list-style-type: none"> - Assessing the competence, capability and objectivity of management's expert; - Evaluating the adequacy of the expert's work; - Obtaining and reviewing the independent valuation report; - Discussing with management and the experts the reasonableness of the assumption used; - Assessing the reasonableness of inputs by performing sensitivity analysis.
<p>Rights of a property with pending legal title ownership</p> <p>Refer to note 15</p> <p>The group has recognised a property with pending legal title ownership as property, plant and equipment. The group has determined that it is probable the future economic benefit associated with the property will flow to the group.</p> <p>As at 30 June 2018, the carrying value of the property with pending legal title ownership is 1,258,651</p> <p>This is a key audit matter due to the group's rights of the property is an important matter to intended users' understanding of the financial report as a whole, in particular, its materiality to the financial report.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We have discussed the risk assessment and audit strategy with the component auditors in regards to the rights of the property with pending legal title ownership. • We have reviewed the audit work papers of the component auditors in respect of the rights of the property with pending legal title ownership whose procedures included: <ul style="list-style-type: none"> - Evaluated the existence of current occupation by physically inspecting the property; - Discussed the reasons and status of pending legal title ownership with the management; - Obtained and evaluated correspondence in relation to the process of obtaining the legal title ownership from the property developer and the local authorities.



Other information

The directors are responsible for the other information. The other information comprises the information in Jiajiafu Modern Agriculture Limited's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Report on the Remuneration Report

Opinion on the Remuneration Report

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

In our opinion, the Remuneration Report of Jiajiafu Modern Agriculture Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

Nexia Melbourne Audit Pty Ltd
Melbourne

A blue ink signature of Richard S. Cen, consisting of several overlapping loops and a long horizontal stroke.

Richard S. Cen
Director

Dated this 27th day of September 2018



Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

ASX Additional information

SHAREHOLDER INFORMATION AS AT 31 AUGUST 2018

Shareholder Information required by the Australian Securities Exchange Limited (**ASX**) Listing Rules and not disclosed elsewhere in the Report is set out below.

1. A statement disclosing the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period; identify recommendations that have not been followed and reasons for not following them.

In accordance with the 3rd edition ASX Corporate Governance Council's Principles and Recommendations, the FY2018 Corporate Governance Statement, as approved by the Board, is available on the Company's website at <http://www.jjfma.com> under Corporate Governance. The Corporate Governance Statement sets out the extent to which the Company has followed the ASX Corporate Governance Council's Recommendations during the financial year ended 30 June 2018.

2. Substantial shareholders

The number of securities held by substantial shareholders and their associates as per the substantial shareholding notices lodged with the ASX are set out below:

Fully paid Ordinary Shares

Name	Number of shares	Percentage	Notice Date
Juxin Holding Limited	55,034,545	64.61	14 March 2017
Jianhao Holding Limited	5,368,754	6.30	20 September 2017
Zhanpeng Holding Limited	4,838,194	5.68	20 September 2017

3. Number of security holders and securities on issue

JIAJIAFU has issued the following securities:

- 85,183,987 fully paid ordinary shares held by 166 shareholders;
- There were no unissued ordinary shares of Jiajiafu Modern Agriculture Limited under option at the date of this report.
- There were no ordinary shares of Jiajiafu Modern Agriculture Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.
- There were no performance rights of Jiajiafu Modern Agriculture Limited at the date of this report.

4. Voting rights

Ordinary shares

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

5. Distribution of security holders

- Fully paid Ordinary Shares

Category	Fully paid Ordinary shares		
	Holder	Shares	%
1- 1,000	6	1680	0.00%
1,001- 5,000	13	40,164	0.05%
5,001- 10,000	49	359,067	0.42%
10,001- 100,000	63	2,750,462	3.23%
100,001 and over	35	82,032,614	96.30%
Total	166	85,183,987	100%

Jiajiafu Modern Agriculture Limited
For the year ended 30 June 2018

ASX Additional information (continued)

6. Unmarketable parcel of shares

There were 17 unmarketable parcel of shares of Jiajiafu Modern Agriculture Limited at the date of this report.

7. Twenty largest shareholders of quoted equity securities

Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding:

	Name	No. of shares	%
1	JUXIN HOLDING LIMITED	55,034,545	64.61
2	JIANHAO HOLDING LIMITED	5,368,754	6.30
3	ZHANPENG HOLDING LIMITED	4,838,194	5.68
4	MR CHIEN-CHIH KAO	2,500,000	2.93
5	AU ALLY PTY LTD	1,333,333	1.57
6	YONGYI HUANG	1,233,334	1.45
7	MR DA LI	1,229,879	1.44
8	MR CHIEN-CHIN KAO	1,223,212	1.44
9	YUNFENG ZHU	1,000,000	1.17
10	MS SUZHEN LIU	1,000,000	1.17
11	MS HUILING ZHANG	933,241	1.10
12	LI & LIU FAMILY INVESTMENTS LTD	666,667	0.78
13	LIEN-TSUNG HUANG	609,940	0.72
14	MR SHIHONG WU	489,952	0.58
15	MS HUIJIE WANG	456,622	0.54
16	MR HUITAO FAN	332,918	0.39
17	MR HUAFENG LIU	326,667	0.38
18	MR BAOZHU YUAN	316,636	0.37
19	HUAYI INTERNATIONAL INVESTMENT CONSULTING PTY LTD	300,000	0.35
20	MR SZU-WU YU	276,704	0.32
Total		79,470,598	93.29

8. The number and class of restricted securities or securities subject to voluntary escrow that are on issue and the date that the escrow period ends:

There are no restricted securities.

9. Unquoted securities

There are no unquoted securities.

10. On market buy-back

There is no current on market buy-back.