

JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES

ABN 82 607 739 159

**Appendix 4E
Preliminary Final Report
for the year ended 30 June 2017**

1. Details of the reporting period

Current Period: 1 July 2016 – 30 June 2017

Previous Corresponding Period: 1 July 2015 – 30 June 2016

2. Results for announcement to the market

2.1 Revenue from continuing operations	Increase	30%	to	\$39,813,200
2.2 Profit from continuing operations after income tax attributable to members	Increase	89%	to	\$1,760,052
2.3 Net profit for the period attributable to members	Increase	12%	to	\$1,760,052

2.4 Dividends

No dividend was declared or paid during the year.

2.5 Explanation of Results

Revenue

The Group recorded total revenue of \$39,813,200 for the financial year ended 30 June 2017, compared to \$30,628,255 for the corresponding period of 2016. This represents an increase of 30%. 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

Net profit after tax from continuing operations increased from \$932,113 in financial year 2016 to \$1,760,052 in financial year 2017. The gross margin was consistent with the corresponding period. The Group achieved a better control over its sales and administration expenses.

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

3. Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2017

	Notes	Consolidated	
		FY2017	FY2016
		\$	\$
Revenue from continuing operations	3.1	39,813,200	30,628,255
Share of profits from interest in associate accounted for using the equity method		58,593	53,195
Other income		9,266	-
Expenses			
Cost of sales		(35,717,684)	(27,272,805)
Administration expenses		(1,407,213)	(1,699,189)
Sales expenses		(425,766)	(508,053)
Other expenses		(271,822)	(1,840)
Interest expenses		(298,522)	(267,450)
Profit before income tax		1,760,052	932,113
Income tax expense		-	-
Profit from continuing operations		1,760,052	932,113
Discontinued operations			
Profit for the year from discontinued operations		-	640,924
Profit for the year		<u>1,760,052</u>	<u>1,573,037</u>
Other comprehensive income			
<i>Items that maybe reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(1,494,827)	(1,455,285)
Translation reserve reclassified to profit due to the disposal of associate or subsidiaries		(24,139)	(627,095)
Share of the associate's other comprehensive income		18,630	145,838
Other comprehensive income for the year, net of tax		<u>(1,500,336)</u>	<u>(1,936,542)</u>
Total comprehensive income for the year		<u>259,716</u>	<u>(363,505)</u>
Profit for the year is attributable to:			
Owners of Jiajiafu Modern Agriculture Limited		<u>1,760,052</u>	<u>1,573,037</u>
Total comprehensive income for the year is attributable to:		<u>1,760,052</u>	<u>1,573,037</u>
Owners of Jiajiafu Modern Agriculture Limited		<u>259,716</u>	<u>(363,505)</u>
		<u>259,716</u>	<u>(363,505)</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:	3.2	Cents	Cents
Basic earnings per share		2.40	1.37
Diluted earnings per share		2.40	1.37
Earnings per share for profit attributable to the ordinary equity holders of the company:	3.2		
Basic earnings per share		2.40	2.31
Diluted earnings per share		2.40	2.31

3.1 Revenue

	Consolidated	
	FY2017	FY2016
	\$	\$
<i>Sales revenue</i>		
Sales of goods	39,663,392	30,603,360
	<u>39,663,392</u>	<u>30,603,360</u>
<i>Other revenue</i>		
Interest income	131,027	-
Government grants	18,781	24,895
	<u>149,808</u>	<u>24,895</u>
Total revenue	<u>39,813,200</u>	<u>30,628,255</u>

3.2 Earnings per Share

	Consolidated	
	FY2017	FY2016
	Cents	Cents
<i>Basic earnings per share</i>		
From continuing operations attributable to the ordinary equity holders of the company	2.40	1.37
From discontinued operations	-	0.94
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>2.40</u>	<u>2.31</u>

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	FY2017	FY2016
	\$	\$
<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	1,760,052	932,113
From discontinued operations	-	640,924
	<u>1,760,052</u>	<u>1,573,037</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	1,760,052	932,113
From discontinued operations	-	640,924
	<u>1,760,052</u>	<u>1,573,037</u>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>73,367,053</u>	<u>68,000,000</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>73,367,053</u>	<u>68,000,000</u>

4. Consolidated Statement of Financial Position
As At 30 June 2017

	Notes	Consolidated	
		30 June 2017 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents		7,850,952	6,941,707
Trade and other receivables	4.1	2,455,517	3,724,105
Prepayments	4.2	95,481	3,376,698
Inventories		492	10,324
Biological assets		921,645	872,446
Total current assets		<u>11,324,087</u>	<u>14,925,280</u>
Non-current assets			
Property, plant and equipment		22,873,138	13,174,451
Prepaid lease assets	4.3	4,406,071	2,691,438
Investment accounted for using the equity method	4.4	-	3,986,194
Intangible assets		47,221	56,152
Available-for-sale financial assets		96,030	-
Total non-current assets		<u>27,422,460</u>	<u>19,908,235</u>
Total assets		<u>38,746,547</u>	<u>34,833,515</u>
Liabilities			
Current liabilities			
Trade and other payables	4.5	824,179	975,993
Borrowings		4,071,677	4,730,058
Total current liabilities		<u>4,895,856</u>	<u>5,706,051</u>
Non-current liabilities			
Other payables		-	10,368
Deferred revenue		224,310	256,245
Total non-current liabilities		<u>224,310</u>	<u>266,613</u>
Total liabilities		<u>5,120,166</u>	<u>5,972,664</u>
Net assets		<u>33,626,381</u>	<u>28,860,851</u>
Equity			
Share capital	4.6	25,960,975	20,822,999
Translation reserve		(293,570)	1,206,766
Share-based payment reserve		-	632,162
Retained earnings		7,958,976	6,198,924
Total equity		<u>33,626,381</u>	<u>28,860,851</u>

4.1 Trade and other receivables

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Trade receivables	2,379,189	2,021,757
Other receivables		
Receivable from disposal of subsidiaries	-	194,857
Loan due from associate entity	-	1,486,454
Refundable GST	73,249	-
Others	3,079	21,037
	<u>2,455,517</u>	<u>3,724,105</u>

4.2 Prepayments

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Purchase of goods	-	2,931,939
Capitalized capital raising cost of the IPO	-	301,454
Prepaid financial advisory services fee	-	143,305
Others	95,481	-
	<u>95,481</u>	<u>3,376,698</u>

4.3 Prepaid lease assets

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Prepaid lease of buildings and fixtures – at cost	1,201,061	1,267,341
Less: accumulated amortisation	(109,101)	(56,871)
Prepaid rental of farmland – at cost	3,907,753	1,519,942
Less: accumulated amortisation	(593,642)	(38,974)
	<u>4,406,071</u>	<u>2,691,438</u>

4.4 Investment accounted for using the equity method

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Investment – at cost	-	3,832,280
Share of the associate's comprehensive income		
- Share of profit after income tax	-	148,406
- Share of other comprehensive income	-	5,508
	<u>-</u>	<u>3,986,194</u>

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.

4.5 Trade and other payables

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Trade payables	12,616	-
Other payables		
Loans due to directors	168,937	192,956
Payables assumed during acquisition of subsidiary	199,960	210,982
Accrued rental	330,585	348,828
Accrued social security	-	144,999
Payables to other related parties	1,921	-
Others	110,160	78,228
	<u>824,179</u>	<u>975,993</u>

4.6 Share capital

(a) Share capital

	30 June 2017		30 June 2016	
	Shares	\$	Shares	\$
Ordinary shares fully paid	85,183,987	25,960,975	68,000,000	20,822,999*

*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>

APPENDIX 4E
JIAJIAFU MODERN AGRICULTURE LIMITED AND ITS CONTROLLED ENTITIES
ABN 82 607 739 159

5. Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2017

	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
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	4,301,271	-	-	-	4,301,271
Share-based payments	836,705	-	(632,162)	-	204,543
Balance at 30 June 2017	25,960,975	(293,570)	-	7,958,976	33,626,381

	Share Capital	Translation reserve	Share-based payment reserve	Retained earnings	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2015	10,556,871	3,143,308	387,216	4,625,887	18,713,282
Profit for the year	-	-	-	1,573,037	1,573,037
Other comprehensive income for the year	-	(1,936,542)	-	-	(1,936,542)
Total comprehensive income for the year	-	(1,936,542)	-	1,573,037	(363,505)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	10,266,128	-	-	-	10,266,128
Share-based payments	-	-	244,946	-	244,946
Balance at 30 June 2016	20,822,999	1,206,766	632,162	6,198,924	28,860,851

6. Consolidated Statement of Cash Flows
For the Year Ended 30 June 2017

	Notes	Consolidated	
		FY2017	FY2016
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of sales taxes)		39,121,126	29,459,652
Payments to suppliers (inclusive of input taxes)		(32,790,037)	(30,804,290)
Interest paid		(298,522)	(158,079)
Interest received		131,027	-
Net cash generated from / (used in) operating activities		6,163,594	(1,502,717)
Cash flows from investing activities			
Payments for property, plant and equipment		(11,782,544)	(6,023,377)
Proceeds from disposal of property, plant and equipment		6,242	-
Payments for leased assets		(2,500,146)	(2,414,486)
Payments for intangibles		(4,924)	(59,685)
Loan to associate entity		-	(3,465,138)
Repayments from associate entity		1,440,914	1,901,656
Proceeds from sales of subsidiaries		188,887	4,276,228
Proceeds from disposal of associate		3,616,683	-
Net cash used in investing activities		(9,034,888)	(5,784,802)
Cash flows from financing activities			
Proceeds from issue of shares/capital contribution		5,155,196	10,266,128
Share issue transaction costs		(574,521)	(317,075)
Proceeds from borrowings		4,125,878	4,975,167
Repayments of borrowings		(4,542,358)	(426,321)
Repayment to related parties		(12,167)	-
Net cash generated from financing activities		4,152,028	14,497,899
Net increase in cash and cash equivalents		1,280,734	7,210,380
Cash and cash equivalents at the beginning of year		6,941,707	24,041
Effects of exchange rate changes on cash and cash equivalents		(371,489)	(292,714)
Cash and cash equivalents at the end of year	6.1	7,850,952	6,941,707

6.1 Reconciliation of cash and cash equivalent

	Consolidated	
	30 June 2017	30 June 2016
	\$	\$
Cash on hand	1,966	36,769
Cash at bank	7,848,986	6,904,938
Cash and cash equivalent	7,850,952	6,941,707

7. Dividends

No dividend was declared or paid during the year.

8. Dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan for the financial year ended 30 June 2017.

9. Net tangible assets per ordinary share

	30 June 2017	30 June 2016
	Cents	Cents
Net tangible assets per ordinary share	39.42	42.36

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

Not applicable.

11. Details of associates and joint venture entities

Equity accounted Associates as of 30 June 2017: Nil

Equity accounted Associates as of 30 June 2016:

- Qingzhou Jiajiafu Fruits and Vegetables Professional Cooperative ('The Cooperative') (11.33% of ownership)

During the year ended 30 June 2017 the Company sold down its interest in The Cooperative to a 0.3% ownership interest, resulting in The Cooperative changing from an associate to an available for sale investment of the Group.

12. Other significant information

On 9 March 2017, the Company completed its initial public offering (IPO) and was listed on the Australian Securities Exchange (ASX), successfully raising gross proceeds of \$5,155,196 for a price of \$0.3 per share issuing 17,183,987 shares for a transaction cost of \$853,925.

Refer to commentary on review of operations in section 14.

13. Accountings standards

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

14. Review of operations

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

The Group recorded sales revenue of \$39,663,392 for the financial year ended 30 June 2017, compared to \$30,603,360 for the corresponding period of 2016.

The Group expanded its plantation areas for vegetables growing by 87 hectares and built up 100 new vegetables greenhouses to increase its vegetables growing capacity in the current financial year. The Group also started growing and selling a new fresh produce, dandelion leaves, with plantation areas of 167 hectares. The Group achieved an encouraging result as a result of the increase in the yield volume and the selling prices of the fresh produce. The revenue generated from the sales of fresh produce was \$35.5 million, which increased by \$7.2 million compared to \$28.3 million of revenue recorded in financial year 2016, including the sales of dandelion leaves of \$2.1 million. In addition, the sales of agricultural supplies contributed \$4.1 million revenue during the year, which represented \$1.8 million increase in the revenue generated from the sales of agricultural supplies.

14. Review of operations (continued)

The Group also leased new farmlands for about 133 hectares and built up 135 new vegetables greenhouses during the year. It is expected to commence planting in the next financial year. The Group estimates the new farming area, when in full production, will increase fresh produce by up to 10 million kilograms in the next financial year.

15. Auditing Status

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

16. Audit disputes or qualifications

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