

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.

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.

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	24,277	-	-	-	904	-	-	25,181
Peter (Yap Ting) 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	7,669	-	-	-	676	-	-	8,345
Peter (Yap Ting) 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.

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.

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)

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