



27 June 2019

Adrian Smythe

Manager, Listings Compliance (Sydney)

ASX Compliance Pty Ltd

By email to: Adrian.Smythe@asx.com.au

Dear Adrian:

Bojun Agriculture Holdings Limited Response to ASX Query

Bojun Agriculture Holdings Limited (BAH or Company) refers to your letter dated 5 June 2019 and responds to your queries in the same order as raised.

1. a) The Company believes there's miscommunication between directors. The Company didn't refuse to arrange a board meeting to discuss questions around BAH' corporate governance arrangements raised by Mr Tim Overton and Ms Jaylin Mao. The board of directors of BAH always actively discuss the Company's operations, corporate governance, and strategy through board meetings, on site visit and emails. The Company was actively arranging a board meeting to discuss questions raised by Mr Tim Overton and Ms Jaylin Mao, checking the availability of the relevant Chinese directors and management staffs during the busy season in China, and preparing the relevant paperwork after receiving the requests from Australian directors. However, the Chinese directors and management were not able attend the board meeting held by two Australian directors and company secretary on 21 May 2019 due to the short notice from Australian directors and company secretary and unsuitable time for Chinese directors and management team. The Company received formal resignation emails from Mr Tim Overton and Ms Jaylin Mao on 24 May, 2019 (Please refer to Attachment 1).

b) As mentioned above, the Chinese directors and management were not able to attend the board meeting held by two Australian directors and company secretary on 21 May 2019 due to only one day short notice from Australian directors and company secretary. The Company received formal resignation letter from Mrs Ashley Lim on 22 May 2019.

2. Please refer to Attachment 2.

3. Please refer to Attachment 3.

4. Mr Bo Zhu, as Executive Director of BAH, has reached out via his personal network of contacts in Australia with the view to finding appropriate appointees to become independent director of the board



and to become company secretary. Mr Zhu intends to engage with one or more recruitment firms to assist in this process.

5. The relevant contact person will be Mr Bo Zhu (and who will be legally advised). In time it is proposed that the new company secretary will take over this role.

6. The auditors of the Company requested the deposit from the Company before performing the half year review. The Company is actively communicating with the State Administration of Foreign Exchange (SAFE) and the relevant China regulatory authorities regarding repatriating money / converting Chinese RMB into foreign currency. However, the Company still hasn't received the approval.

7. As mentioned above, once the Company receives the approval from the relevant China regulatory authorities, the Company will make the half year review deposit so that the auditors could finalise the half year review as soon as possible.

8. It is not immediately possible for the Company to anticipate that the Independent Auditor's Review Report may be subject to a modified opinion, emphasis of matter or other matter paragraph.

9. a) Please refer to Attachment 4.

b) Please refer to Attachment 5.

10. BDO East Coast Partnership intended to resign as the statutory auditor of Bojun Agriculture Holdings Limited at its first AGM on 28 February, 2018. In accordance with s327A(2) of the *Corporations Act 2001*, an auditor initially appointed by the Company's directors upon registration of the Company, holds office only until the first AGM of the Company, at which members will either ratify the appointment or appoint a different auditor. Therefore, ASIC's consent to the resignation of BDO East Coast Partnership is not required. The key reason to BDO East Coast Partnership's resignation is that BDO no longer allows the use of a non-BDO network firm as its component auditor for the statutory audit of publicly listed companies.

11. a) The enquiries made to management by the Board include the followings:

(i) The advertising expense for the 10 regional agents of the Company totals RMB 2.9 million.

How does the Company control its agents to indeed conduct promotion activities?

Management's Reply: The advertising expense provided by the Company to each agent is conditionally limited. If the agent is yet to reach the sales volume required by the Company, the Company will reduce or stop advertising expense in the next year, followed by reducing the sales



discount level.

(ii) The cooperative project between the Company and Jiangxi Normal University costs RMB 3 million. Is there any achievement?

Management's Reply: The cooperative project developed between the Company and Jiangxi Normal University is the integration and demonstration project of technology for high-yield cultivation of Magu mountain fresh date, the status report of which indicates that the project has made research progress and phased achievements, but there are still problems to be solved in the research process.

Approval Processes and Financial Recordkeeping:

- (i) The cost-incurring department applies for payment of expenses;
- (ii) The leader of cost-incurring department has a review and signature;
- (iii) The accountant of the accounts department has a review and signature;
- (iv) The principle of the accounts department has a review and signature;
- (v) The General Manager approves and signs it.
- (vi) The cashier of the accounts department has a review and settles the accounts according to the documents approved by the General Manager and then signs for a confirmation.
- (vii) The accountant of the accounts department makes accounting records on the basis of payment vouchers and source documents.

b) The Board considers that the Company has a sound system of risk management and internal control which is operating effectively.

c) The Board acknowledges receipt of the CFO and CEO declaration documents, as described in section 4.2 of the Company's Corporate Governance Statement.

12. Bank accounts in China: There're no changes regarding the authorised signatories since 20 November 2017. The authorised signatories are Dr Bo Zhu (Executive Director of BAH) and Ms Zhen Yu (Executive Director of BAH)

Bank accounts outside China: There're no changes regarding the authorised signatories since 20 November 2017. The authorised signatories are Ms Jing Wang (Finance Manager of BAH in China) and Ms Bingning Yang (Financial Accountant of BAH in China)

13. When the accounts department receives invoices and payment requests, the financial accountant and finance manager are responsible to check the accuracy, authenticity, and validity, and sign off the paperwork. Two of two Executive Directors and one CEO are required to review the paperwork signed off by financial accountant and finance manager and sign off the paperwork to authorise the payment.



14. The Company is actively communicating with the State Administration of Foreign Exchange (SAFE) and the relevant China regulatory authorities regarding repatriating money / converting Chinese RMB into foreign currency. However, the Company still hasn't received the approval.

15. a) Please refer to Attachment 6.

b) Please refer to Attachment 7.

16. The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

17. The Company confirms that the responses to the questions above have been authorised and approved by its Board.



5 June 2019

Reference: ODIN03148

Dr Bo Zhu
Executive Director
Bojun Agriculture Holdings Limited
Level 46
Tower One – International Towers Sydney
100 Barangaroo Avenue
Barangaroo NSW 2000

By email: zhubobjkg@163.com

Dear Dr Zhu

Bojun Agriculture Holdings Limited ('BAH'): Query Letter

ASX Limited ('ASX') refers to the following:

- A. BAH's announcement titled 'Results of AGM and Change of Auditor' released on the ASX market announcements platform ('MAP') on 28 February 2018, which disclosed that BDO East Coast Partnership had resigned as auditor of BAH, effective 28 February 2018, and that BAH had appointed UHY Haynes Norton as auditor.
- B. BAH's announcement titled 'Resignation of Directors and Company Secretary' released on MAP on 28 June 2018, which announced the simultaneous resignation of two of its Australian directors, Hon. Andrew Stoner and Mr Chen Chik (Nicholas) Ong effective 30 June 2018. Mr Ong also resigned as company secretary. This announcement resulted in ASX suspending trading in BAH's securities on that day under Listing Rule 17.3.
- C. ASX's query letter dated 29 June 2018 in relation to the circumstances surrounding the resignations detailed in paragraph B above and BAH's response dated 3 July 2018, which were released together on MAP on 4 July 2018, and the subsequent reinstatement of BAH's securities to trading on that day.
- D. BAH's announcement titled 'Appointment of Directors and Company Secretary' released on MAP on 2 July 2018, which announced the appointment of Ms Jaylin Mao and Mr Tim Overton as non-executive directors, and Ms Ashley Lim as company secretary.
- E. BAH's Annual Report for the year ended 30 September 2018 ('FY 2018') released on MAP on 24 December 2018 (the 'Annual Report'), which included the following statement by the auditor, Mr Mark Nicholaeff of UHY Haines Norton, in the Independent Auditor's Report under the heading 'Key Audit Matters' on page 47:

'EXPENSES

Why a key audit matter

There is a risk that the Group has recorded fictitious expenses that do not belong the Group.'

- F. BAH's Appendix 4G and Corporate Governance Statement for FY2018 released on MAP on 24 December 2018, which included the following statements in the Corporate Governance Statement:
 - i) In relation to Recommendation 2.3: *'Mr Tim Overton, Ms Jaylin Mao and Mr Qingfeng Zhang are independent directors.*

Dr Bo Zhu and Ms Zhen Yu are both executive directors and accordingly, is [sic] not considered independent.'

- ii) In relation to Recommendation 2.5: *'Mr Tim Overton is the current Chairman and is independent.'*
- iii) In relation to Recommendation 4.1: *'The Audit and Risk Committee (ARC) Charter is available on the Company's website at <http://www.bojunagriculture.com> under Corporate Governance.*

The current members of the ARC are Mr Qingfeng Zhang, Ms Jaylin Mao and Ms Zheng Yu. The majority of the ARC are independent, including an independent Chairman.'

- iv) In relation to Recommendation 4.2: *'The ARC receives from the Company's CEO and the CFO (or equivalents) a declaration in accordance with section 295A of the Corporations Act, for the relevant financial periods.'*
- G. BAH's announcement titled 'Resignation of Company Secretary' released on MAP on 22 May 2019, which announced that Mrs Ashley Lim had resigned as Company Secretary.
- H. BAH's request for a trading halt '*pending an announcement of management changes*' which was signed by Mr Tim Overton and received by ASX on 22 May 2019, and granted at 9:24 am on that day.
- I. The resignations of the following directors on 24 May 2019, which were copied to ASX:
- i) Mr Tim Overton, an independent Australian non-executive director and Chairman; and
 - ii) Ms Jaylin Mao, an independent Australian non-executive director.

ASX notes that:

- as BAH has no directors who ordinarily reside in Australia, BAH fails to meet the requirements of section 201A of the *Corporations Act 2001*;
 - as BAH has no company secretary who ordinarily resides in Australia, BAH fails to meet the requirements of section 204A(2) of the *Corporations Act 2001*;
 - the resignations of both Mr Overton and Ms Mao expressed concerns regarding corporate governance matters and the lack of communication and transparency from the board in China; and
 - the resignations resulted in ASX suspending trading in BAH's securities on 24 May 2019 under Listing Rule 17.3.
- J. Listing Rule 3.16.1 which states that an entity must immediately tell ASX of '*a change of chairperson, director, chief executive officer (or equivalent), or company secretary.*'

BAH is yet to announce the resignations Mr Overton and Ms Mao to the market under Listing Rule 3.16.1.

- K. Listing Rule 3.19A.3 requires an entity to tell ASX the following:

'The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the date that the director ceases to be a director. The entity must complete Appendix 3Z and give it to ASX no more than 5 business days after the director ceases to be a director.'

BAH is yet to lodge Appendices 3Z for Mr Overton and Ms Mao in accordance with Listing Rule 3.19A.3.

- L. Listing Rule 12.6, which states as follows.

An entity must appoint a person to be responsible for communication with ASX in relation to listing rule matters. The entity must tell ASX of the initial appointment and any change in the person.

BAH currently does not appear to have anyone notified to ASX to be responsible for communication with ASX for the purposes of Listing Rule 12.6.

- M. BAH's failure to lodge its Appendix 4D and Half Year Report for the half year to 31 March 2019 (the 'Half Year Report') under Listing Rule 4.2 by the due date of 31 May 2019.
- N. The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('Principles and Recommendations'), which includes the following:
- i) Principle 2 which states that the board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and add value.
 - ii) Recommendation 2.4 which states that a majority of the board of a listed entity should be independent directors.
 - iii) Recommendation 4.2 which states:

'The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.'

Questions and Requests for Information

Having regard to the above, ASX asks BAH to respond separately to each of the following questions and requests for information.

Resignation of directors and company secretary

1. Please provide a full account of the circumstances in which:
 - a) Mr Tim Overton and Ms Jaylin Mao resigned from BAH's board. In answering this question, please specifically comment on the corporate governance matters and lack of communication and transparency from the board in China that were identified in their resignations.
 - b) Mrs Ashley Lim resigned as company secretary of BAH, along with the reasons for her resignation.
2. Please provide a copy of the resignation of Mrs Ashley Lim as company secretary (not for release to the market).
3. Please provide copies any written correspondence between Mr Overton, Ms Mao and the other BAH directors since 1 January 2019 (not for release to the market).
4. Given the resignation of the two independent Australian resident directors and the company secretary, what steps does the board of BAH propose to take to ensure that it has:
 - a) at least two directors and a company secretary ordinarily residing in Australia;
 - b) directors and a company secretary with sufficient ASX listed company experience; and
 - c) an appropriate representation of independent directors?
5. Please confirm, for the purposes of Listing Rule 12.6, the person responsible for communications with ASX in relation to Listing Rule matters.

Half Year Report

6. Please explain the reasons for the delay in lodgement of the Half Year Report.
7. When does BAH expect to lodge its Half Year Report?
8. Does BAH anticipate that the Independent Auditor's Review Report is likely to be subject to a modified opinion, emphasis of matter or other matter paragraph? If so, please provide a detailed description of the circumstances.

Auditors

9. Please provide copies of the following (not for release to the market):
 - a) ASIC's consent to the resignation of BDO East Coast Partnership ('BDO') as auditor of BAH on 28 February 2018; and
 - b) any correspondence from BDO in relation to its intention to resign as auditor.
10. Please provide a full account of the circumstances in which BDO resigned as auditor, together with the reasons for its resignation.

Annual Report

11. ASX notes the auditor's comment that *'there is a risk that the Group has recorded fictitious expenses that do not belong the Group'* (the 'Auditor's Comment').
 - a) What enquiries did the Board make of management to satisfy itself that the financial records of BAH for FY2018 were properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of BAH?

In answering this question, please specifically comment on BAH's approval processes and financial recordkeeping for expenses.
 - b) Referring specifically to the Auditor's Comment, does the board consider that BAH has a sound system of risk management and internal control which is operating effectively?
 - c) Did the Board receive the CFO and CEO declaration, as described in section 4.2 of BAH's Corporate Governance Statement, that in the opinion of the CFO and CEO, the financial records of BAH have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of BAH and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
 - d) If the answer to (c) above is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of BAH's Corporate Governance Statement?
12. Please provide a list of all authorised signatories for BAH's bank accounts during FY2018, along with an explanation of their role within BAH. Please also clearly identify all current signatories. (Not for release to the market.)
13. Please provide a description of the authorisation process that BAH has in place to ensure that all transactions in its bank accounts are properly authorised.
14. Has BAH encountered any difficulties in repatriating money/converting money into foreign currencies out of the People's Republic of China?
15. Please provide copies of the following (not for release to the market):

-
- a) any letters, reports or correspondence to the Audit and Risk Committee (and/or board) in relation to the audit for FY2018 from:
- i) UHY Haines Norton; and
 - ii) Wei Wei & Co LLP (the China auditors).
- b) minutes of the Audit and Risk Committee meetings held since listing.
16. Please confirm that BAH is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
17. Please confirm that BAH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BAH with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 am AEST on Friday 28 June 2019**. ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

ASX further reserves the right to terminate BAH's listing on ASX without further notice to BAH, if BAH fails to provide an adequate response to this letter by the time and date above.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

ASX reminds BAH that its obligation to comply with the Listing Rules, and in particular the continuous disclosure requirements in Listing Rule 3.1, is not affected by the suspension of its securities from quotation (see Listing Rule 18.6).

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Adrian Smythe
Manager, Listings Compliance (Sydney)