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ASX ANNOUNCEMENT

Thursday 31 August 2017

COMPANY UPDATE

The Company has recently released its Preliminary Financial Statement to 30 June 2017.

There has been some significant changes to the Company since the end of the financial year on 30 June 2016 and this up-date is designed to be read in conjunction with such Preliminary Financial Statement.

This Up Date also deals with the issue of a deficiency in equity of \$399,334 as disclosed in the Statement. The Board of the Company is confident the Company is a going concern by virtue of;

- The provision of the working capital loan from Plus JPS of US\$1 million; and
- A1 Qualipac Agriculture joint venture (see below) will be cash positive and profitable by 30 June 2018 and will generate sufficient cash for the Company to trade in the ordinary course of business.

The changes to the Company have focused on further rationalisation of the Company's businesses whilst the Company continues to focus its overall business strategy on food production for domestic and export consumption. These changes are reflected in the Preliminary Financial Statement of the Company to 30 June 2017.

The changes are as follows;

1. Fulfillment Japan

In August 2016 the Company entered a strategic alliance with Fulfillment Holdings Co., Limited ("Fulfillment") a Japanese corporation with an alleged extensive food industry network in Japan. Fulfillment was looking to establish a pasture to the plate distribution network of Australian food products to Japanese consumers. Fulfillment also undertook to assist in the further development of EQ Foods at Brookvale and further development of the Company's restaurant business.

In each instance Fulfillment failed to perform.

Fulfillment requested that the Company obtain a farm for the production of vegetables for export to Japan and to further support EQ Foods and the restaurant business. On 30 September 2016 Fulfillment provided a guarantee to the Company in relation to a proposed purchase of a 125 hectare property at Jondaryan in southern Queensland. This property was being used for the production of stock feed at that time.

The property was targeted for purchase by the Company because of the following;

- Its relative proximity to Gatton the head office of our proposed joint venturer farming partner, Qualipac Agriculture. The property was at that time approximately 1.5 hours

by truck or bus from Gatton (1 hour by car). It was also noted that the second range crossing was well underway by the Queensland government and this would further reduce the travelling time to the property from Gatton.

- The property had current water allocation licences including bore and creek licences of over 300 mega litres of irrigation water per annum.
- The property had never had in its previous 15 years any reduction to its irrigation water below its allocation.
- The property had a 65 mega litre dam available for storage and for water mixing, which would allow the property's bore water to be mixed with creek water which would dilute any salt issues with the bore water before its use on the farm.
- The property had two existing pivot areas with all the required infrastructure to operate both pivot areas simultaneously but included in the purchase only one pivot.
- Production could be immediately increased by operating both pivot areas simultaneously with two pivots.



Broccoli ready for harvesting at Hirschbrooke

- The property was a basic rectangle in shape and subject to further investigation and cost analysis lent itself to be up graded with a lateral irrigator to maximise the irrigated area.
- The property was currently being used for the production of lucerne and some grains and had not been heavily farmed at any time over the past 15 years.
- The purchase price per hectare is substantially less than available horticultural land in the Lockyer Valley which is becoming too expensive to represent a viable economic solution for further vegetable production.
- The Darling Downs represented a new development and opportunity to extend horticulture production to the region.

WIN A1 Pty Limited (at that time a wholly owned subsidiary of the Company and now called WIN Properties Australia Pty Limited [“WIN Properties”]) entered into a contract to purchase the property which was settled on 22 December 2016 with loans provided by WIN Corporation Co., Ltd (“WIN Corporation”) a related company to Fulfillment. The Company thereafter sought to settle a supply agreement for products produced on the farm for sale and distribution in Japan. No agreement was or could be reached when it became clear to the Company Fulfillment had no established market for the production. Without this revenue the Company could not proceed to settle an acceptable financing arrangement for the loans for the property. In order to ensure the solvency of the Company, the Company agreed to the sale of WIN Properties for a sum of \$1 on 27 June 2017 to WIN Corporation and all loans used to acquire the property would be assumed by the purchaser. The purchase price of the property was \$3 million and WIN Properties had loans exceeding \$3.5 million and no other realisable assets.

At the same time as the sale of WIN Properties took place WIN Corporation agreed that the Company would manage the property and the proposed food production project on behalf of WIN Properties.



Irrigating broccoli at Hirschbrooke using the existing pivot irrigator

The management agreement between the Company and WIN Corporation is such that other than a rental payment to WIN Properties A1 will retain 75% of its share of the joint venture profits until those profits exceed \$1.5 million.

2. Qualipac Agriculture

In November and December 2016 the Company commenced negotiations with the Qualipac group in Queensland seeking a joint venture where Qualipac farmed the Jondaryan farm to be

acquired by WIN Properties. The Qualipac group were a group of unrelated companies operated by the Qualishefski family in southern Queensland. The Qualishefski family were a well established and highly reputable vegetable production group having farmed the Lockyer Valley west of Brisbane for over 120 years. Fulfillment had represented to the Company and the Qualishefski family that it could provide a significant benefit in gaining entry to the Japanese market without significant costs in Japan. In January 2017 it became clear to the Company that Fulfillment could not fulfil its representations. The Company then concluded a joint venture with Qualipac Agriculture for the farming of the purchased property and the sale of production into the Australian domestic market, using the existing marketing expertise of Qualipac.



The Company and Qualipac commenced farming on the property, now known as “Hirchbrooke” in late January 2017. The first crop of broccoli was harvested in June 2017 producing over 410 tonnes of high quality broccoli from only 38 hectares of irrigable land on the property.

Harvesting the first broccoli crop

The Company’s share on the revenue from the initial broccoli crop was \$266,436 as disclosed in the Preliminary Financial Statements to 30 June 2017. The Company is of the view this is an outstanding result for a first time crop and provides evidence of the expertise and professionalism of both the Company and its joint venture partner, Qualipac Agriculture and the significant potential of the project.



**Shipping out the first broccoli crop
from Hirchbrooke**

In July 2017 onions were planted on part of the southern pivot area at Hirchbrooke and in early August broccoli on the remaining section of this pivot area with each projected to be harvested in late 2017. The product that is being produced on Hirchbrooke is destined for the domestic Australian market, although up to 10% of the production may be exported to Singapore or Taiwan, if the opportunity arises.

The Company is now planning for improved production on Hirchbrooke in 2018 with the installation of a new lateral irrigator. This will increase irrigable land from 38 hectares to 105.

The Company is projecting total production of broccoli for the 12 months to 31 Dec 2017 of 620 tonnes and 500 tonnes of onions.

With the installation of the lateral irrigator the Company is projecting production in the calendar year 2018 of 1500 tonnes of broccoli and 900 tonnes of onions for a revenue in excess of \$2.5 million.



**The first onion crop sprouting on the southern pivot area of Hirschbrooke
Ready for harvesting December 2017**

3. Tournet Oceania

In early July 2015 the Company acquired 100% of Tournet Oceania which provided tourist services primarily to Japanese in-bound tourists in Australia. Despite the purchase of a further tour bus to assist the operations and profitability of Tournet in the year to 30 June 2016 the Company was not confident that the short or medium term future of Tournet Oceania would be profitable or cash flow positive. The Company therefore sold Tournet Oceania to a purchaser who agreed to retain all staff for a sum of \$10,000 on 31 March 2017.

4. Ikkyu Ramen

In August 2015 the Company acquired 100% of the business of Ikkyu Ramen in the Haymarket district of Sydney. The acquisition of this business was part of a strategic plan to strengthen the food credentials of the group.

Despite the Company continuing to pursue an aggressive cost cutting program for Ikkyu Ramen the Company determined to cease operating the business in January 2017 and the restaurant has been closed. The Company had previously written back the goodwill of the acquisition of this business in the year to 30 June 2016.

5. EQ Foods

In November 2015 the Company acquired a wholesale food production business which required new premises, management and additional capital to prosper. The Company formed a new

business which was called EQ Foods and commenced operations in Brookvale on the northern beaches of Sydney.

EQ Foods produced a range of products for the restaurants of Sydney. Despite the assistance of the added management of A1 and its Japanese consultants, EQ Foods did not prosper. EQ Foods had also entered a strategic alliance with a large food wholesaler with potential to expand the product range throughout Australia but the revenue that was generated could not underpin the business. In January 2017 the company elected to reduce production at EQ Foods and focus on the supply of product to the Company's primary wholesaler. During the first quarter of 2017 it became clear the target revenues for the business would not be achieved and the business would remain cash flow negative and unprofitable. The Company thereafter elected to cease production and has sought to surrender the lease at Brookvale.



Irrigating Hirschbrooke broccoli

6. Future Direction

The Company is continuing to examine opportunities as they may be presented.

The Company has determined that its primary focus will be food businesses in Australia, including export food businesses.

The Company will remain focused on the following industry sectors;

- Wholesale Food businesses
 - The supply of vegetables produced by the A1 Qualipac joint venture
 - The supply of vegetables to Asia, primarily Singapore, Taiwan and Japan.
 - The supply of other agricultural food products to Japan, Vietnam and other Asian markets. The Company is in discussions with several parties in respect to the establishment of new joint ventures for the supply of fresh meat and meat

products to Vietnam. The Company has established sales, logistics and marketing chains in Vietnam that have the capacity to substantially reduce the cost of Australian export meat products to end users in Vietnam.

- The expansion of the A1 Qualipac joint venture to further producing properties, primarily in southern Queensland.
- Food industry investment opportunities
 - The Company is examining other food industry investment opportunities including the possibility of acquiring a substantial interest in an existing successful wholesale food business

7. Working Capital Loan

In July 2017 the Company has also secured a working capital loan of US\$1 million from Plus JPS in Singapore. Such loan has a maturity date of 31 July 2020. The Company acknowledges that this loan was essential to secure the continued solvency and trading of the Company.



Charlie Nakamura in the broccoli at Hirschbrooke

Peter Ashcroft in the latest onion paddock Hirschbrooke

August 2017



8. Current Loan

Despite the best efforts of the Company the current loan of \$350,000 was not extended to a maturity date for re-payment of the principal to 31 July 2019 as indicated by representatives of lender/investor at the time of the sale of WIN Properties and the debt to lender/investor has therefore remained a current liability. The lender/investor has indicated it has no immediate intention to call for repayment. However there are sufficient funds available from Plus JPS working capital loan to fully pay out this loan if the loan is called by the lender/investor.

9. Company is a Going Concern

The financial statements have been prepared on a going concern basis because the Company has sufficient cash to continue to trade in the ordinary course of business for some months. The Company's management recognises that without further cash the Company may not be able to trade after the expenditure of its current cash amount available from the working capital loan.

10. The Company is confident of the following;

- A1 Investments Operations Pty Limited the wholly owned subsidiary of the Company which is the joint venture partner of Qualipac Agriculture being cash positive and profitable by 30 June 2018;
- the A1 Qualipac Agriculture joint venture will generate sufficient cash to pay all interest on all loans including the current loan of \$350,000 and the loan from Plus JPS Pty Limited; and
- The A1 Qualipac joint venture will generate sufficient cash after the payments on all loans including the current loan of \$350,000 and loan from Plus JPS for the Company to continue to trade in the ordinary course of business.

A1 INVESTMENTS & RESOURCES LTD

Charlie Nakamura
Managing Director