



ASX ANNOUNCEMENT

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**SHAREHOLDER RELATIONS
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Highlights

- **Acquisition of a controlling interest in Green Forest International**
- **Substantial expansion in the wholesale and distribution of JAT and third-party products**
- **Strong cashflow and constant cash income for Jatenergy**

Background

The Board of Jatenergy Limited (JAT) is pleased to announce that it has agreed, subject to shareholder approval, to purchase a controlling interest in Green Forest International Pty Ltd (Green Forest), a significant Sydney based wholesaler, distributor and exporter to Hong Kong and mainland China.

“This acquisition provides an immediate boost to JAT’s turnover and profitability,” Executive Director Wilton Yao said. “More importantly our businesses are highly complementary. We have very strong relationships with the major sales platforms in mainland China, like TMall and JD, and directly with major retailers like Shanghai Dragon, and of course we are developing our own product ranges. Green Forest is very strong in Hong Kong and in Australian Daigou and duty-free stores, and they bring a large portfolio of Australian and international brands to the group. It is also a part of the JAT strategy for developing of its FMCG distribution and sales channel. Further, Green Forest is able to provide great opportunities for JAT to increase new sales channels of JAT’s own products.”

Financials

In the half year ended 31 December 2017, Green Forest earned sales revenue of \$25.1 million and a profit before tax of almost \$2 million. In the year ended 30 June 2017, Green Forest earned sales revenue of \$24.7 million and a profit before tax of \$790,000.

The Directors of JAT and Green Forest are confident that, working together the businesses will achieve significantly higher growth rates and profitability. The acquisition is expected to result in JAT achieving significant and constant cashflow.



Products

Green Forest sells to more than 50 shops and pharmacies in Hong Kong and over 200 gift shops, duty free stores and Daigou warehouses in Australia. They are major suppliers to Chinese TaoBao and Wechat channels and other online platforms. The Hong Kong and China based customers of Green Forest are responsible for all Hong Kong and Chinese customs clearance, duty and import licences. Green Forest is not required to obtain any licences or regulatory approvals for its sales to Hong Kong and China.

The products exported by Green Forest are as follows:

- a) Brands: Swisse, Blackmores, Life Space, Lucas, Nutrition Care; Phtologic, Nature's Way, Bbox, Trilogy, Royal Nectar, Bio Island, Ostelin, Healthy Care and Du'it.
- b) Milk powder brands: A2, Aptamil, Bellamy's, Caprilac and Maxigenes.
- c) Brands exclusively distributed by Green Forest in Australia for Chinese channels: Thermos, Camelbak, Sunday Afternoons.

Material terms of share purchase agreement

The material terms of the share purchase agreement are as follows:

- a) JAT will acquire 50% of the shares on issue in Green Forest.
- b) Representatives of JAT will have two directors out of the four on the board and has the right to appoint the Chairman. The Chairman has a casting vote.
- c) The consideration will be \$2 million in cash plus 40 million fully paid ordinary shares in JAT. A further earnout payment will be made to the vendors of Green Forest based on the net profit before interest and tax ("NPBIT") of Green Forest in the year ended 30 June 2019 as follows:

NPBIT	Earnout payment
\$1.5 million or less	Nil
\$1.5 million-\$1.8 million	\$3.2 million
\$1.8 million or more	\$4 million

The earnout payment is not cumulative. For example, if the NPBIT is \$2 million, the earnout payment will be \$4 million.

The earnout payment will be paid 50% in cash and 50% in shares, the issue price of the shares being 70% of VWAP for the previous 20 trading days prior to the issue date.

In the event that the NPBIT exceeds \$2.3 million in additional bonus of \$200,000 will be payable. In the event that the NPBIT exceeds \$2.8 million in additional bonus of \$350,000 will be payable. Any bonus will be paid in shares, the issue



price of the shares being 70% of VWAP for the previous 20 trading days prior to the issue date.

- d) There will be no changes to JAT's existing board as a result of the acquisition.
- e) JAT and the Vendors will contribute working capital of \$4 million in equal proportions to fund the expansion of the operations of Green Forest.

The conditions precedent to the agreement are as follows:

- a) all approvals required by the ASX, ASIC and JAT shareholders for the acquisition;
- b) the two current directors of Green Forest (who are also the Vendors) enter into employment agreements. These agreements have a term of three years and have otherwise the standard terms for the size of Green Forest and the industry. The remuneration payable under the both agreements are \$150,000 per annum plus superannuation;
- c) JAT and the Vendors entering into an agreement whereby JAT will advance \$2 million to Green Forest and each of the Vendors will advance \$1 million each for working capital purposes.

Funding

JAT has sufficient funds on hand to pay \$2 million to the Vendors on completion and to contribute \$2 million in working capital.

The earnout payments are expected to be funded out of cash flow. In the event this is not sufficient, the directors believe that any additional funds can be raised by way of private placement or a pro rata rights issue in mid to late 2019.

Effect on share capital

The effect on share capital is as follows:

	Number of shares	%
Current shares on issue	588,816,182	93.6
Shares to be issued to vendors	40,000,000	6.3
Completion	628,816,182	100



General meeting

A meeting of shareholders to approve the issue of shares to Green Forest is expected to be held on in late June or early July 2018.

Anthony Crimmins
Executive Chairman