

## SEPTEMBER 2018 QUARTERLY REPORT

### Highlights

- Record quarterly sales - cash receipts from sales exceed \$10 million
- Consolidation of Green Forest International Pty Ltd for half of the September quarter
- Dramatic sales growth to continue

### Quarterly Review

Jatenergy (JAT or the Company) (ASX Code: JAT) is pleased to provide its first quarterly report for the year ending June 2019. Most notably cash receipts from sales increased from \$320,000 in the June quarter to \$10,680,000 in the September quarter.

As previously foreshadowed revenue in the previous year was low as management focused their efforts on putting in place the elements necessary to drive sales, particularly of in-house branded products. These efforts are now flowing into revenue and this is expected to increase over the current financial year as the business benefits from the transformative efforts undertaken over the previous year.

The above result is pleasingly even higher than the \$8.7 million estimate provided to the market on 15th August as synergies between JAT's recent acquisitions start to prove themselves. A net operating outflow for the quarter of \$5,544,000 reflects the company's rapid growth, with debtors at quarter end totaling \$2.4 million (expected to be realised within approximately 15-30 days) and inventories exceeding \$3 million (expected to be converted into sales within approximately 30-45 days).

"The businesses are integrating impressively," Executive Director Wilton Yao said. "Sunnya management



has become involved in the development of new Golden Koala products, and Green Forest is delighted to have new, in-demand brands to distribute, including Golden Koala milk powders and Sunnya's Neuroio."

"Within a single day of JAT launching Golden Koala's new formula on Wechat, the promotion attracted over 65,000 visits from daigou groups," Mr Yao said, "and on Xiaohongshu, Neuroio has become the top ranking Lactoferrin brand searched for."

As announced on 10th August, the acquisition of Green Forest International Pty Ltd ("Green Forest") was completed following the issue of 40,000,000 shares to the vendors. Accordingly, from 10th August, JAT has consolidated Green Forest's revenue. JAT Directors note that September quarter cashflows include the impact of Green Forest revenue for only half of the September quarter and that 50% of Green Forest's net profit is associated with minority interests.

In the December quarter, JAT will consolidate Green Forest cashflows for the full quarter.

On 10th October, shareholders voted to approve the issue of 35,000,000 shares to the vendors of Sunnya International Pty Limited to facilitate the acquisition of 51% of the issued capital of Sunnya. Accordingly, in the December quarter, JAT will consolidate Sunnya cashflows for part of the quarter.

## Growth Outlook

Looking forward, Directors expect business flows to continue to build at a rapid pace.

### Green Forest International Pty Ltd

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As announced in May, the purchase of Green Forest included a working capital injection of \$4 million (in the form of loans from JAT and from the vendors) to fund the expansion of the operations of Green Forest. Green Forest used these funds to build up inventories to drive sales, which are growing explosively as a result.

### Golden Koala Group Pty Ltd

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Golden Koala's new infant, follow-on and toddler formula range is now in production, and distribution has commenced with product offered to daigou groups, Australian shops and pharmacies, and Chinese cross-border platforms. Golden Koala's new high calcium Full Cream Instant Milk Powder will be ready for shelves soon and further products are in development in response to demand from JAT's expanding portfolio of distribution channels.



## Sunnya International Pty Ltd

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Sunnya's Neuro Lactoferrin is proving to be very popular with Chinese consumers, driving both immediate sales and consumer awareness of the brand, which also includes DHA algae oil, D3 Mushroom Drops and NEURIO Probiotic Drops. More products are currently in development and are expected to be introduced to the market during the current financial year.

## JAT Maternal and Infant Boutique

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JAT's first Maternal and Infant Boutique will open in the current quarter, within the 18,000 square metre 'Hui Yue Kid's City', the largest indoor children's themed shopping centre in Zhengzhou. The boutique will utilise a combination of traditional (inventory-based) retail and 'new retail' (see below), offering exceptional Chinese retail exposure to JAT's in-house and client products.

JAT is currently evaluating additional sites for JAT Maternal and Infant Boutiques but will evaluate the initial success of the first boutique before opening at additional locations.

## New Retail

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China is now the world's largest retail market and by far the largest e-commerce market. It is home to 784 million smart phone users, and social media, e-commerce and mobile payments are ubiquitous.

According to PWC's 2018 Global Consumer Insights survey, 50% of Chinese consumers buy products online weekly (v's 22% of global consumers) and 86% have used mobile payments to make purchases (24% globally). Looking at the trendlines from 2013 to 2018, PWC concludes that the e-commerce growth trend is coming to an end and being replaced by what it refers to as China's next retail disruption: end-to-end value chain digitisation.

In 2016, Alibaba founder Jack Ma called it "New Retail". Tencent calls it "Smart Retail" and JD describes it as "Borderless Retail". From a consumer perspective the most striking change is the emergence of online-to-offline shopping, or "O2O" (integrated with social media promotion, primarily Wechat, via micro-channel public numbers).

O2O offers consumers the best of online and offline. Local retail stores provide consumers with the opportunity to familiarise themselves with products which are not available domestically. They then scan the product's QR code to make the purchase and order home delivery, paying via mobile gateway.

Behind the scenes, distributors use business-to-business ("B2B") systems to facilitate the sales and fulfill





the orders. From a regulatory perspective these are cross-border sales, akin to a purchase from a foreign website.

In addition to its own Maternal and Infant Boutiques, JAT is collaborating with Chinese business partners, assisting them with regard to the B2B fulfillment that facilitates their O2O rollout:

Sinopharm, the world's sixth largest pharmaceutical company, is rolling O2O out nationally to approximately 5,000 stores.

Shanghai Dragon Corporation, a large state controlled, publicly listed business is implementing O2O across approximately 3,000 of its new 'Modern Living' stores.

Both Sinopharm and Shanghai Dragon Corporation have commenced O2O fulfillment orders from JAT.

## The Inaugural China International Import Expo

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JAT's participation in the inaugural China International Import Expo in Shanghai early in November is perfectly timed to provide unprecedented Chinese exposure for the company and its subsidiaries.

JAT representatives will staff a 200 square metre exhibition space, showcasing in-house and client brands.

In the next five years, China expects to import products and services valued at over 10 trillion U.S. dollars, providing massive opportunities for enterprises across the world. It is estimated that 150,000 domestic and foreign professional purchasers will attend the Expo, ready to do business. Supporting activities such as supply-demand matchmaking meetings, seminars and product releases will be held during the Expo.

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JAT management believes that the pieces are now in place to become a significant exporter of Australian consumer goods to China and is focused on maximising the opportunities created by recent acquisitions and emerging distribution opportunities.

Wilton Yao

Executive Director



## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Jatenergy Limited

**ABN**

31 122 826 242

**Quarter ended ("current quarter")**

30 September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	10,680	10,680
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(15,415)	(15,415)
(c) advertising and marketing	(8)	(8)
(d) leased assets	-	-
(e) staff costs	(118)	(118)
(f) administration and corporate costs	(683)	(683)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,544)</b>	<b>(5,544)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	(2,000)	(2,000)
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(2,000)</b>	<b>(2,000)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	1,625	1,625
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	3,306	3,306
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>4,931</b>	<b>4,931</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,218	4,218
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(5,544)	(5,544)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,000)	(2,000)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,931	4,931

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,605</b>	<b>1,605</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,605	1,605
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,605</b>	<b>1,605</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	405
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	16,000
9.3 Advertising and marketing	10
9.4 Leased assets	-
9.5 Staff costs	120
9.6 Administration and corporate costs	700
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>16,830</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	Green Forest International Pty Ltd	
10.2 Place of incorporation or registration	New South Wales, Australia	
10.3 Consideration for acquisition or disposal	\$ 2,000,000	
10.4 Total net assets		
10.5 Nature of business	Wholesaler, distributor and exporter of Fast-Moving Consumer Goods	



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 16/10/2018

(Director)

Print name: Tony Crimmins

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

## **JATENERGY LIMITED**

ABN 31 122 826 242

ASX CODE: JAT

### **AUSTRALIAN REGISTERED OFFICE**

Unit 23  
376-380 Eastern Valley Way  
CHATSWOOD NSW 2067 AUSTRALIA

### **CONTACT DETAILS**

Telephone	+61 488 248 138
Email	<a href="mailto:admin@jatenergy.com">admin@jatenergy.com</a>
Web	<a href="http://www.jatenergy.com">www.jatenergy.com</a>

