

# JATENERGY LIMITED

ABN 31 122 826 242

## ASX APPENDIX 4D

### RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The following information should be read in conjunction with both the Financial Report for the year ended 30 June 2018 and the Interim Report for the half year ended 31 December 2018 and the attached auditors' review report.

This Appendix 4D is prepared in accordance with ASX Listing Rule 4.2A.3.

Reporting period: Half-year from 1 July 2018 to 31 December 2018.

Previous corresponding period: Half-year from 1 July 2017 to 31 December 2017.

#### Results for announcement to the market

	<b>31 Dec 2018</b>		<b>31 Dec 2017</b>
Revenue from ordinary activities for the period	\$30,470,681	<b>Up 1834% from</b>	\$1,575,146
Net loss from ordinary operating activities after tax	(\$21,215,621)	<b>Down 7662% from</b>	(\$273,312)
Net loss from ordinary operating activities after tax attributable to members of the Parent	(\$10,381,723)	<b>Down 3750% from</b>	(\$269,621)
Earnings per share (cents)	(20.90)	<b>Down 2123% from</b>	(0.94)
Net tangible assets per ordinary share (cents)	0.031	<b>Down 44% from</b>	0.055

The Company does not propose to pay dividends in the current period.

The Group incurred an after-tax loss attributed to members of \$21,215,621 for the six months to 31 December 2018 (2017: \$273,312 loss).

Revenue from the Group's trading activities have gone up, significantly from \$1,575,146 to \$30,470,681 (an increase of 1834%) compared to the prior corresponding period. This is predominantly due to successful acquisition of two subsidiaries during the period.

The consolidated loss after tax of the group for the half year ended December 2018 amounted to \$21,215,621 (Dec 2017: \$273,312). During the period, the Group impaired goodwill of \$22,712,572 relating to Golden Koala Group Pty Ltd which is included in the consolidated group loss of \$21,215,621.

The group's trading activities resulted in gross profit of \$1,784,931 for the half year ended 31 December 2018 (2017: \$73,626).

### **Impairment of Goodwill – Golden Koala Pty Ltd**

The Company acquired a 51% interest in Golden Koala in March 2018 with the expectation that Golden Koala would continue to distribute infant milk formula to Chinese consumers. However, registration and licensing of the infant milk product formulation from the Chinese Food and Drug Administration (CFDA) has been delayed for an uncertain period due to changes in control policies and trading conditions in China.

Taking a prudent approach based on the most recent information available, Jatenergy's Board of Directors have performed an impairment assessment of goodwill at 31 December 2018 and have decided to fully impair goodwill of \$22,712,572 relating to Golden Koala.

Meanwhile, Golden Koala continues to produce English-label infant formula to sell in the Australian market while other products, such as full-cream high-calcium milk powder, which are not affected by the CFDA approval, continue to sell in China through cross border and retail channels.

Golden Koala is developing new products and negotiating with a range of other Asian markets to distribute its infant formula.

### **New Acquisitions**

During the reporting period, Jatenergy completed two substantial acquisitions, adding significant revenue to its trading activities selling fast moving consumer goods (FMCG) to China. These acquisitions strongly contributed to Jatenergy delivering on its plan to transition to higher-margin sales of FMCG products, which include milk powders, wine, cosmetics, skin care products, nutraceuticals, cereals, oats and biscuits. The figures for these acquisitions included in this half year report are provisional as the independent valuations of the separable intangible assets acquired have not been finalised as at the date of this report, refer to note 1f (ii) of the financial statements for further details.

### **Green Forest International Pty Ltd Acquisition**

On 18 July 2018, Jatenergy acquired 50% of Green Forest International Pty Ltd (Green Forest), a Sydney-based wholesaler, distributor and exporter selling to over 50 shops and pharmacies in Hong Kong and over 200 gift shops, duty-free shops and Daigou warehouses in Australia. Green Forest also distributes through dominant Chinese online platforms such as Taobao and Wechat.

In September 2018, Green Forest entered into an agreement with the largest Chinese medical and healthcare group, Sinopharm, to supply vitamins, cosmetic products, dairy products and other health-related consumer goods. The Group expects a boost to revenue from supplying to the 5,000-store pharmacy chain across China which Sinopharm is in the process of establishing.

### **Sunnys Pty Ltd Acquisition**

On 10 October 2018, Jatenergy broadened its in-house product range substantially by purchasing 51% of Sunnys Pty Ltd (Sunnys), a brand owner and exporter with a portfolio of infant and child health products including NEURIO Lactoferrin Milk Powder, DHA Algae Oil Softgel, and Probiotics Liquid.

NEURIO Lactoferrin has established a strong reputation and sales in both Australian and China markets, selling in Australian pharmacies, gift shops and Daigou stores. In China, Sunnys products sell through Woolworths flagship stores, together with major platforms such as JD.com, Kaola.com, Xiaohongshu, Momtime, Hipac Eastman and Bei Bei. Sunnys is currently in the process of securing more e-commerce platforms and stores across China. Sunnys products are now being distributed in Korea and Japan.

In line with its business expansion strategy, Sunnys is expanding the NEURIO product range to appeal to the health requirements across a wider age group.

**Outlook**

Through acquisitions made during the period, the Group is expecting to see growth in Australian and Chinese markets through its continuous efforts selling in-house and distributed products.

**Dividends**

No dividend has been declared or paid during the half year ended 31 December 2018.

**Details of subsidiaries**

During the period from 1 July 2018 to 31 December 2018, Jatenergy Limited has gain control over two new entities. Refer to Note 12.

**Details of associates and joint venture entities**

None

**Details of foreign entities**

None

**Audit modified opinion, emphasis of matter or other matter**

The accounts presented include an auditors' review report with an emphasis of matter regarding going concern.

## **Corporate Directory**

**Half Year-Ended 31 December 2018**

### **Directors**

Brett Crowley

Xipeng Li

Wilton Yao

### **Secretary**

Justyn Stedwell

Brett Crowley

### **Registered Office**

Office B, Suite C303,

521 Toorak Road, TOORAK VIC 3142

Telephone +61 0488 248 138

### **Share Registry**

Security Transfer Australia Pty Ltd

770 Canning Highway, Applecross WA 6153

Telephone +61 1300 992 916

### **Auditor**

LNP Audit and Assurance

Level 24, 570 Bourke Street

Melbourne VIC 3000

### **Securities Exchange**

Australian Securities Exchange

### **ASX Code**

JAT (fully paid ordinary shares)

# **JATENERGY LIMITED AND CONTROLLED ENTITIES**

**INTERIM REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

# JATENERGY LIMITED AND CONTROLLED ENTITIES

## Financial Report For The Half Year Ended 31 December 2018

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## **JATENERGY LIMITED AND CONTROLLED ENTITIES FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

### **Directors' Report**

Your Directors present their report on Jatenergy Limited and its controlled entities (the Group), for the half-year ended 31 December 2018.

### **Directors**

The followings persons were Directors of Jatenergy Limited during and up to the date of this report:

- Mr Anthony Crimmins, Non-Executive Director (resigned 25 January 2019)
- Mr Brett Crowley, Non-Executive Chairman (appointed on 23 August 2018)
- Mr Xipeng Li, Non-Executive Director
- Mr Wilton Yao, Managing Director

### **Review of operations**

The consolidated loss after providing for income tax of the Group for the half year ended 31 December 2018 amounted to \$21,215,621 (Dec 2017: \$273,312). The loss for the Group during the period was mainly attributable to impairment of goodwill of \$22,712,574 relating to Golden Koala Group Pty Ltd ('Golden Koala') and also includes write back of earnout liability provision of \$2,568,933 relating to Golden Koala Pty Ltd to profit and loss account as it did not satisfy the conditions specified in the buy and sell agreement. During the period, the Group amortised \$240,952 relating to customer relationships and tradename also.

The consolidated revenue of the group has increased significantly due to acquisition of Green Forest International Pty Ltd and Sunnya Pty Ltd made during the current period to \$30,470,681 (2017: \$ 1,575,146).

Discounting the above, the Group has recorded operational loss of \$831,031 (2.7% of revenue) for the half year ended December 2018 as compared with operational loss of \$273,312 (17.35% of revenue) for the half year ended December 2017.

The group's trading activities resulted in gross profit of \$1,784,931 for the half year ended 31<sup>st</sup> December 2018 (2017: \$73,626).

### **Impairment of Goodwill – Golden Koala**

The Company acquired 51% interest in Golden Koala in the previous financial year with the expectation that Golden Koala would continue to distribute infant milk formula to Chinese consumers which was heavily dependent on Golden Koala to successfully obtain the Chinese Food and Drug Administration (CFDA) license in China. The registration process for obtaining the license to distribute infant milk product formula from the CFDA has been delayed for an uncertain period due to changes in control policies and trading conditions in China.

Taking a prudent approach and based on the most recent available information, the Board of Directors have made a decision to fully impair goodwill of \$22,712,574 at 31 December 2018.

## **JATENERGY LIMITED AND CONTROLLED ENTITIES FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

### **Directors' Report (Continued)**

Golden Koala continues to produce English-label infant formula to sell in the Australian market while other products, such as full-cream high-calcium milk powder, which are not affected by the CFDA approval, continue to sell in China through cross border and retail channels. Golden Koala is developing new products and negotiating with a range of other Asian markets to distribute its infant formula.

### **New Acquisitions**

During the reporting period, Jatenergy completed two substantial acquisitions, adding significant revenue to its trading activities of selling fast moving consumer goods (FMCG) to China.

These acquisitions strongly contributed to Jatenergy delivering on its plan to transition to higher-margin sales of FMCG products, which include milk powders, wine, cosmetics, skin care products, nutraceuticals, cereals, oats and biscuits.

#### *Green Forest International Pty Ltd Acquisition*

On 18 July 2018, Jatenergy acquired 50% of Green Forest International Pty Ltd (Green Forest), a Sydney-based wholesaler, distributor and exporter selling to over 50 shops and pharmacies in Hong Kong and over 200 gift shops, duty-free shops and Daigou warehouses in Australia. Green Forest also distributes through dominant Chinese online platforms such as Taobao and Wechat.

In September 2018, Green Forest entered into an agreement with the largest Chinese medical and healthcare group, Sinopharm Group Co. Ltd, a company based in China, to supply vitamins, cosmetic products, dairy products and other health-related consumer goods. The Group expects a boost to revenue from supplying to the 5,000-store pharmacy chain across China which Sinopharm is in the process of establishing.

#### *Sunnya Pty Ltd Acquisition*

On 10 October 2018, Jatenergy broadened its in-house product range substantially by purchasing 51% of Sunnya Pty Ltd (Sunnya), a brand owner and exporter with a portfolio of infant and child health products including NEURIO Lactoferrin Milk Powder, DHA Algae Oil Softgel, and Probiotics Liquid.

NEURIO Lactoferrin has established a strong reputation and sales in both Australian and Chinese markets, selling in Australian pharmacies, gift shops and Daigou stores. In China, Sunnya products are sold through Woolworths flagship stores, together with major e-commerce platforms such as JD.com, Kaola.com, Xiaohongshu, Momtime, Hipac Eastman and Bei Bei. Sunnya is currently in the process of securing more e-commerce platforms and stores across China. Sunnya products are now being distributed in Korea and Japan also.

In line with its business expansion strategy, Sunnya is expanding the NEURIO product range to appeal to the health requirements across a wider age group.

### **Outlook**

Through acquisitions made during the period, the Group is expecting to see an overall growth in the business by continuously and progressively making efforts to expand in Australian and Chinese markets by selling in-house and distributed products.



**JATENERGY LIMITED AND CONTROLLED ENTITIES  
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

**Directors' Report (Continued)**

**Dividends**

No dividend has been declared or paid during the half year ended 31 December 2018.

**Significant Events since Balance Sheet Date**

Post balance date, the Board of Directors is in the process of forming a joint arrangement. Jatenergy will be the major shareholder in the new company which will establish a manufacturing operation to produce health products, including vitamins and supplements, dairy product and other over-the-counter products.

Following a review of the group corporate structure, non-operating subsidiary, Jatenergy Developments Pty Ltd, was deregistered on 3 January 2019.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 4.

This report is made in accordance with a resolution of the board of directors and is signed for and on behalf of the directors by:



Wilton Yao  
Executive Director  
Dated this 28th day of February 2019

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF JATENERGY LIMITED

As lead auditor for the review of Jatenergy Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

LNP Audit and Assurance Pty Ltd



**Anthony Rose**  
Director

Melbourne, 28 February 2019

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	<b>31-Dec-18</b>	<b>31-Dec-17</b>
	<b>\$</b>	<b>\$</b>
Revenue	30,470,681	1,575,146
Cost of Sales	<u>(28,685,750)</u>	<u>(1,501,520)</u>
Gross Profit	1,784,931	73,626
Other income	2,722,301	38,181
Impairment of property, plant and equipment	-	-
Finance costs	(327,174)	-
Impairment and amortisation expense	(22,953,526)	-
Other expenses	<u>(2,442,153)</u>	<u>(385,119)</u>
<b>LOSS FOR THE PERIOD</b>	<u>(21,215,621)</u>	<u>(273,312)</u>
Income tax expense	-	-
<b>LOSS FOR THE PERIOD</b>	<u>(21,215,621)</u>	<u>(273,312)</u>
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>(21,215,621)</u>	<u>(273,312)</u>
Loss attributable to:		
Owners of the parent entity	(10,381,723)	(269,621)
Non Controlling Interest	<u>(10,833,898)</u>	<u>(3,691)</u>
	<u>(21,215,621)</u>	<u>(273,312)</u>
Total comprehensive income attributable to:		
Owners of the parent entity	(10,381,723)	(269,621)
Non Controlling Interest	<u>(10,833,898)</u>	<u>(3,691)</u>
	<u>(21,215,621)</u>	<u>(273,312)</u>
Earning per share:	(20.9)	(.94)
Basic and diluted (loss) per share (cents per share)	cents	cents

These financial statements should be viewed with the accompanying notes

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT HALF YEAR ENDED 31 DECEMBER 2018**

	Note	31-Dec-18 \$	30-Jun-18 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		5,277,142	4,218,478
Trade and other receivables	7	6,102,013	3,366,354
Inventories		2,757,103	-
<b>TOTAL CURRENT ASSETS</b>		<u>14,136,258</u>	<u>7,584,832</u>
<b>NON-CURRENT ASSETS</b>			
Intangible assets	6	29,865,987	24,072,574
<b>TOTAL NON-CURRENT ASSETS</b>		<u>29,865,987</u>	<u>24,072,574</u>
<b>TOTAL ASSETS</b>		<u>44,002,245</u>	<u>31,657,406</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	1,779,495	231,712
Financial liabilities	4	3,124,054	-
Provisions	8	5,163,137	2,568,933
<b>TOTAL CURRENT LIABILITIES</b>		<u>10,066,686</u>	<u>2,800,645</u>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	4	1,274,000	1,274,000
Deferred tax liabilities		1,008,000	408,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>2,282,000</u>	<u>1,682,000</u>
<b>TOTAL LIABILITIES</b>		<u>12,348,686</u>	<u>4,482,645</u>
<b>NET ASSETS</b>		<u>31,653,559</u>	<u>27,174,761</u>
<b>EQUITY</b>			
Contributed Equity	5	56,859,005	45,216,805
Accumulated Losses		(40,733,328)	(30,470,624)
Non Controlling Interest		15,527,882	12,428,580
<b>TOTAL EQUITY</b>		<u>31,653,559</u>	<u>27,174,761</u>

These financial statements should be viewed with the accompanying notes

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Contributed Equity	Non- Controlling Interest	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	28,497,444	880,720	(29,249,513)	128,651
Share issue during the period, net of cost	-	(3,691)	(269,621)	(273,312)
<b>Balance at 31 December 2017</b>	<u>1,801,949</u>	<u>-</u>	<u>-</u>	<u>1,801,949</u>
	30,299,393	877,029	(29,519,134)	1,657,288
<b>Balance at 1 July 2018</b>	45,216,805	12,428,580	(30,470,624)	27,174,761
Loss for the period	-	(10,952,917)	(10,262,704)	(21,215,621)
Shares issued during the period, net of cost	11,642,200	-	-	11,642,200
Recognition of Non-controlling Interests	-	14,052,219	-	14,052,219
<b>Balance at 31 December 2018</b>	<u>56,859,005</u>	<u>15,527,882</u>	<u>(40,733,328)</u>	<u>31,653,559</u>

These financial statements should be viewed with the accompanying notes

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Note	31-Dec-18 \$	31-Dec-17 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		28,730,806	1,600,958
Interest received		152,360	35
Payments to suppliers and employees		(33,276,815)	(2,079,959)
Interest paid		(221,918)	-
Net cash used in operating activities		<u>(4,615,567)</u>	<u>(478,966)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisitions	12 (d)	(4,600,000)	-
Purchase of property, plant and equipment		-	(13,889)
Net cash used in investing activities		<u>(4,600,000)</u>	<u>(13,889)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		7,492,300	1,801,950
Proceeds received in advance of shares issued		474,300	1,037,261
Proceeds from borrowings		2,307,630	-
Net cash provided by financing activities		<u>10,274,230</u>	<u>2,839,211</u>
Net increase in cash and cash equivalent		1,058,663	2,346,356
Cash and cash equivalents at beginning of financial period		4,218,478	92,220
Cash and cash equivalents at end of financial period		<u><u>5,277,142</u></u>	<u><u>2,438,576</u></u>

The accompanying notes form part of these financial statements.

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

**Corporate Information**

Jatenergy Limited is a for profit listed public company incorporated and domiciled in Australia. The financial report for the half year ended 31 December 2018 relates to Jatenergy Limited ('the company') and its controlled entities ('the Group'). The interim financial statements have been approved and authorised for issue by the Board of Directors on 28th February 2019.

**Note 1 Significant Accounting Policies**

**(a) General information and basis of preparation**

The condensed financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, applicable Accounting Standards (including AASB 134 Interim Financial Reporting) and other mandatory professional reporting requirements. All amounts are presented in Australian dollars (\$AUD) which is the functional currency of the Group. The condensed financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made during the half year to 31 December 2018 in accordance with the continuous disclosure obligations under the Australian Securities and Exchange Listing Rules and the Corporations Act 2001. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2018, except as described below.

**(b) New and Amended Standards Adopted**

The Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments on 1 July 2018. Changes to accounting policies are described below.

AASB 15 Revenue from Contracts with Customers

AASB 15 introduces a changed process for revenue recognition based on identifying when performance obligations are met. Revenue from sale of goods are recognised by the Group when the goods are transferred to the customer, namely from the time the customer gains controls of the goods. Revenue from services is recognised at the point the services are provided. The application of AASB 15 is not materially different from the previous standard in terms of recognition of revenue for goods. Application of AASB 15 did not impact the way in which the Group accounts for revenue from sale of goods.

AASB 9 Financial Instruments

AASB 9 sets out new requirements for the classification and measurement of financial assets and liabilities and include forward-looking expected loss impairment model. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. The adoption of AASB 9 did not have a significant effect on the Group's accounting policy relating to financial liabilities. Trade receivables is the only financial asset that has been impacted by the adoption of the standard, specifically the measurement basis for the impairment of trade receivables which is now based on expected credit loss (ECL). When determining the credit risk for trade receivables, the Group uses quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward looking information. Given the prudent approach to estimating losses on receivables in accordance with the previous standards, the Group did not need to adjust the estimated recoverability of trade receivables on transition to AASB 9.

**(c) Impact of standards issued but not yet effective**

Certain new accounting standards and interpretation have been published that are not mandatory for the 31 December 2018 period. The Company does not intend to adopt the standards before the effective date.

**(d) Intangibles**

i) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
  - (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
  - (iii) the acquisition date fair value of any previously held equity interest;
- over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

Changes in the company's ownership interests in subsidiaries that do not result in the company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds a less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value ("full goodwill method") or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ("proportionate interest method"). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the group's cash-generating units or groups of cash-generating units, which represents the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold. Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

ii) Trade name and customer relationships

Trade name and customer relationships have a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of seven years. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

**(e) Business Combinations**

Management uses independent external valuations to assist in determining the fair values of the various elements of each business combination. Particularly, the fair value of separable intangibles, provisions for contingent consideration relating to earn out liabilities, and the resulting goodwill arising from acquisitions.

The estimated value of the separable intangibles, earnout provisions, and goodwill related to the acquisitions of Green Forest and Sunnya has been provisionally determined as \$2,000,000 for separable intangibles, \$5,163,137 for earn out provisions, and \$26,746,939 for the resulting goodwill (refer note 6). These figures have been assessed by management based on draft valuations performed by an independent third party commissioned by management.

**(f) Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**i) Goodwill and separable intangibles impairment**

**Golden Koala**

The Company acquired 51% interest in Golden Koala in the previous financial period with the expectation that Golden Koala would continue to distribute infant milk formula to Chinese consumers which was heavily dependent on Golden Koala successfully obtaining a Chinese Food and Drug Administration (CFDA) license in China. The registration process for obtaining the license to distribute infant milk product formula from the CFDA has been delayed for an uncertain period due to changes in control policies and trading conditions in China. Taking a prudent approach and based on the most recent available information, the Board of Directors have made the decision to fully impair goodwill relating to the Golden Koala acquisition of \$22,712,572 as at 31 December 2018. Golden Koala continues to produce English-label infant formula to sell in the Australian market while other products, such as full-cream high-calcium milk powder, which are not affected by the CFDA approval, continue to be sold in China through cross border and retail channels. Golden Koala is developing new products and negotiating with a range of other Asian markets to distribute its infant formula.

Management has assessed that the separable intangibles acquired in the Golden Koala Acquisition at \$1,214,286 (2018 (\$1,360,000)), which are being amortised over a 7 year period and do not require impairment at this time.

**Green Forest International Pty Ltd (Green Forest) and Sunnya Pty Ltd (Sunnya) acquisitions**

Management is not currently aware of any potential impairments relating to the level of goodwill and separable intangibles as a result of the acquisitions of Green Forest and Sunnya. Refer note ii below and note 12 for details of these acquisitions.

**ii) Business combinations**

Management uses independent external valuations to assist in determining the fair values of the various elements of each business combination. Particularly, the fair value of separable intangibles, provisions for contingent consideration relating to earn out liabilities, and the resulting goodwill arising from acquisitions.

The estimated value of the separable intangibles, earnout provisions, and goodwill related to the acquisitions of Green Forest and Sunnya has been provisionally determined as \$2,000,000 for separable intangibles, \$5,163,137 for earn out provisions, and \$26,746,939 for the resulting goodwill (refer note 12). These figures have been assessed by management based on draft valuations performed by an independent third party commissioned by management

**iii Golden Koala contingent consideration provision**

During the period, the provision for contingent consideration of \$2,568,933 relating to the earnout from the acquisition in the prior period of Golden Koala has been written back and recognised as other income as it did not satisfy the conditions specified in the buy and sell agreement. This did not affect the value of goodwill recognised on this acquisition because this has been impaired to zero as already described.

**(g) Going Concern**

The financial statements have been prepared on a going concern basis. The Group has incurred a net loss for the period of \$21,215,621 (December 2017: \$273,312 loss) and has cash outflows from operating activities for the period of \$4,615,567 (December 2017: \$478,966). The Company raised capital of \$7,492,200 during the period. The Directors believe that the going concern basis of preparation is appropriate due to recent history of raising capital and the progress made on wholesale and distribution of products. The Group is expecting to growth in revenue through continuous expansion in Australian and Chinese Market through its acquired subsidiaries. The Board of Directors will seek to scale back activities in order to preserve cash when required. The financial statements have been prepared on the basis that the Group can meet its debts as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

**(h) Segment reporting**

The Group has two geographic segments: Australia market and China market. In identifying its geographic segments, management generally follows the Group's customer market location. Each of these geographic segments is managed separately as each of these location requires different marketing strategy and resources. The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

**Note 2 Contingent Liabilities and Contingent Assets**

The Group does not have any contingent liabilities as at 31 December 2018.

**Note 3 Significant Events since Balance Sheet Date**

Post balance date, the Board of Directors is in the process of forming a joint arrangement. Jatenergy will be the major shareholder in the new company which will establish a manufacturing operation to produce health products, including vitamins and supplements, dairy product and other over-the-counter products.

Following a review of the group corporate structure, non-operating subsidiary, Jatenergy Developments Pty Ltd, was deregistered on 3 January 2019.



**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

**Note 4 Related Party Transactions**

During the half year ended 31 December 2018 there has been significant changes to the related party transactions to those disclosed in the 30 June 2018 annual report. This was mainly due to the acquisition of Green Forest.

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
<b>Current</b>		
Related party loans	546,011	-
Shareholder loan	2,578,043	-
	<u>3,124,054</u>	<u>-</u>
<b>Non-current</b>		
Shareholder loan	<u>1,274,000</u>	<u>1,274,000</u>

**Note 5 Contributed Equity**

**(a) Share Capital**

	Note	As at 31 Dec 2018	As at 30 June 2018
		\$	\$
Ordinary Shares			
Fully paid shares	(b)	56,859,005	45,216,805

**(b) Movements in Ordinary Share Capital**

	As at 31 Dec 2018	As at 30 June 2018	As at 31 Dec 2018	As at 30 June 2018
	\$	\$	No:	No:
At the beginning on reporting period	45,216,805	28,497,444	588,816,182	219,161,351
Sep 2017 (Share Placement)		120,000		10,000,000
Nov 2017 (Share Placement)		384,500		28,799,998
Dec 2017 (Share payment)		644,450		42,963,333
Dec 2017 (Share purchase plan)		542,572		43,533,287
Jan 2018 (Share Placement)		1,000,000		66,666,666
Apr 2018 (Acquisition of Golden Koala)		7,500,000		83,333,333
Apr 2018 (Conversion of loan notes)		1,129,800		32,280,000
May 2018 (Conversion of loan notes)		5,060,149		56,223,881
May 2018 (Conversion of loan notes)		37,800		2,520,000
May 2018 (Conversion of loan notes)		300,000		3,333,333
May 2018 (Conversion of loan notes)		90		1,000
Aug 2018 ( Share Placement) acquisition of Green Forest	2,680,000		40,000,000	
Aug 2018 (Share Placement)	960,000		10,633,333	
Aug 2018 ( Share Placement)	300,000		3,000,000	
October 2018 (Share Placement)	5,000		333,333	
October 2018 (Share Placement) acquisition of Sunnya	1,470,000		35,000,000	
October 2018 (Share Placement)	1,027,200		22,420,000	
December 2018 (Share placement)	5,200,000		86,666,667	
August 2018 (Placement)				
<b>Closing Balance</b>	<u>56,859,005</u>	<u>45,216,805</u>	<u>786,869,515</u>	<u>588,816,182</u>
<b>Total share capital as at 31 December 2018</b>	<u>56,859,005</u>			

(c) As announced to ASX on 20 February 2018, in accordance with remedial actions as a result of a breach of ASX listing rule 7.1, the Company is unable to issue any new securities without prior security holder approval until 2 September 2020, unless the issue comes within an exception in listing rule 7.2.

**Note 6 Intangible Assets**

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
Goodwill (a), (Note 12b)	26,746,939	22,712,574
Tradename	1,360,000	1,360,000
Accumulated amortisation	(145,714)	-
Carrying value	<u>1,214,286</u>	<u>1,360,000</u>
Customer relationships	2,000,000	-
Amortisation	(95,238)	-
Carrying value	<u>1,904,762</u>	<u>-</u>
Total intangible assets	<u>29,865,987</u>	<u>24,072,574</u>

(a) The movements in the net carrying amount of goodwill are as follows:

	2018
	\$
<b>Gross carrying amount</b>	<b>\$</b>
<b>Balance 1 July 2018</b>	22,712,574
Acquired through business combination	26,746,939
Impairment loss recognised	(22,712,574)
<b>Balance 31 December 2018</b>	<u>26,746,939</u>

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

**Impairment testing**

For the purpose of impairment testing, potential impairment of goodwill is assessed to the cash-generating unit in which the goodwill has arisen, being the particular business entity acquired.

Management has taken into account latest developments in China which has resulted in reduction of goodwill in relation to the Golden Koala acquisition amounting to \$22,712,574 during the half year ended 31 December 2018, to its expected recoverable amount. Management has assessed that the separable intangibles acquired in the Golden Koala Acquisition of \$1,214,286 (2018 (\$1,360,000)), which are being amortised over a 7 year period do not require impairment at this time.

Goodwill and separable intangibles from the Green Forest acquisition and the Sunnya acquisition of \$26,746,939 have been assessed as not impaired at this time.

The recoverable amounts of the cash-generating units have been determined based on value-in-use calculations, covering a detailed forecast, followed by an extrapolation of the present values of the expected cash flows using the assumptions as determined by Management.

The key assumptions used are as follows. Management has used a revenue growth rate at 1.5%, reflecting the expected growth for the product lines and the geographical segments (Australian and Chinese Markets). This rate has been determined taking into consideration historical growth of the segments combined with the expected industry outlook in both China and Australia. Management has factored risk considerations into the calculations to take account of recent changes in trading conditions in China. Management has factored this into the calculations by using a discount rate of 15%. The discount rate reflect appropriate adjustments relating to market risk and specific risk factors of each business unit. The uncertainty relating to the successful registration and licensing by Chinese Food and Drug Administration (CFDA) has been taken into account in the discount rate. Other key assumptions include stable profit margins, based on past and recent experience in both Australian and Chinese Market, which management believes is the best available input for forecasting these markets. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

**Note 7 Trade and other receivables**

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
<b>Current</b>		
Trade and other receivables	4,877,013	2,966,354
Deposit paid for investment	-	400,000
Deposit paid (a)	1,225,000	-
	<u>6,102,013</u>	<u>3,366,354</u>

(a) Deposit was held with Nutritional Choice Australia Pty Ltd during the period for manufacturing dairy products for sale to China. As at 31 December 2018, Management has assessed the carrying amount of this deposit and no impairment was required as the full amount will be utilised in the next 12 months.

**Note 8 Provision**

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
<b>Current</b>		
Earnout liabilities (a)	5,163,137	2,568,933

(a) As at the date of this report, the Company is in the process of finalising the valuation report relating to Green Forest and Sunnya acquisitions. Accordingly the value of earnout liabilities has been realised on a provisional basis. The earnout liabilities will be paid in cash and equity however the amount relating to each cannot be determined due to the provisional nature of the balance.

**Note 9 Trade and other payables**

	As at 31 Dec 2018	As at 30 June 2018
	\$	\$
<b>Current</b>		
Trade and other payables	1,305,195	231,712
Other liabilities	474,300	-
	<u>1,779,495</u>	<u>231,712</u>

**Note 10 Dividends**

No dividends have been declared or paid during the period.

**Note 11 Key Management Personnel Remuneration**

Key management personnel remuneration included within employee expenses for the period is shown below:

	31-Dec-18	31-Dec-17
	\$	\$
Short term employee benefits	727,154	106,000

New consultancy agreement was entered into in October 2018 with revised fee structures for the two directors. The total amount included consulting fee, directors' fee and short term incentives.

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

**Note 12 Controlled Entities**

a) Controlled Entities Consolidated

Subsidiaries of Jatenergy Limited	Country of Incorporation/ Place of Business	Percentage Owned (%)		Percentage Owned by Non- Controlling Interest (%)	
		Dec-18	Dec-17	Dec-18	Dec-17
Golden Koala Pty Limited	Australia	51	-	49	-
Jatenergy Developments Pty Limited	Australia	75	75	25	25
Green Forest International Pty	Australia	50	-	50	-
Sunnya Pty Ltd	Australia	51	-	49	-

b) Acquisition of Entities

1) A 50% of Green Forest International Pty Ltd (Green Forest) was acquired during the period. Details of the transactions are:

Purchase Consideration consisting of-	\$
Cash (d)	2,000,000
40,000,000 shares in Jatenergy Limited	2,680,000
Contingent Considerations (c)	<u>2,977,172</u>
<b>Total Consideration</b>	<b>7,657,172</b>

**Assets and Liabilities Held at acquisition date**

Net assets	100
Deferred Tax Liability	<u>(600,000)</u>
<b>Net Identifiable assets acquired</b>	<b>(599,900)</b>
Customer Relationships (c)	2,000,000
Goodwill (c)	13,914,245
Minority Interest	<u>(7,657,172)</u>
<b>Net Assets Acquired</b>	<b>7,657,172</b>

2) A 51% of Sunnya Pty Ltd (Sunnya) was acquired during the period. Details of the transactions are:

Purchase Consideration consisting of-	
Cash (d)	3,000,000
35,000,000 shares in Jatenergy Limited	1,470,000
Contingent Considerations (c)	<u>2,185,965</u>
<b>Total Consideration</b>	<b>6,655,965</b>

**Assets and Liabilities Held at acquisition date**

Net assets	<u>218,218</u>
<b>Net Identifiable assets acquired</b>	<b>218,218</b>
Goodwill (c)	12,832,694
Minority Interest	<u>(6,394,947)</u>
<b>Net Assets Acquired</b>	<b>6,655,965</b>

(c) The fair value of net identifiable assets acquired relating to Green Forest and Sunnya have been determined based on the draft valuation report received from independent valuation specialist.

At 31 December 2018, the fair values of the assets and liabilities acquired are provisional and pending final valuations. On completion of the final valuations the balances for the acquisition may be revised in accordance with applicable Australian Accounting Standards. The measurement of identifiable intangible assets acquired in a business combination is highly subjective and there are a range of possible values that could be attributed for initial recognition. The Group uses the skills and experience of valuation specialists in establishing an initial range within which the fair value is to be recognised. Judgement is then applied in selecting the value to be recognised on the balance sheet. Judgement is also applied in determining the useful life of the intangible assets which impacts directly on the amortisation charges to be incurred following an acquisition. Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the acquisition date. None of the goodwill recognised is expected to be deductible for income tax purposes.

(d) During the period the Group obtained control of Green Forest International and Sunnya Pty Ltd.

	Green Forest	Sunnya	Total
	\$	\$	\$
Cash	309,029	-	309,029
Inventory	846,033	245,458	1,091,491
Trade and other receivables	-	330,906	330,906
Customer relationships	2,000,000	-	2,000,000
Trade and other payables	-	(358,146)	(358,146)
Loans payable	<u>(846,033)</u>	-	<u>(846,033)</u>
Total purchase price paid in cash	<u>2,309,029</u>	<u>218,218</u>	<u>2,527,247</u>
Less: cash of subsidiary acquired	(309,029)	-	(309,029)
Deposit paid in June 2018	-	400,000	400,000
Cash paid to obtain control net of cash acquired	2,000,000	2,600,000	4,600,000

**JATENERGY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

**Note 13 Segment Reporting**

The Group has identified its geographic segments based on the internal reports that are reviewed and used by the Executive Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Geographic segment is determined based on location of its markets and customers which is China and Australia. For the financial year ended 30 June 2018, the group only operated in one geographical area, being Australia.

	Australia	China	Head Office	Total
Segment revenue	\$ 12,356,750	\$ 18,267,299	\$ 2,568,933	\$ 33,192,982
Segment expenses	\$ (14,284,293)	\$ (17,170,347)	\$ (22,712,574)	\$ (54,167,214)
Interest	\$ (437)	\$ -	\$ -	\$ (437)
Depreciation and Amortisation	\$ -	\$ -	\$ (240,952)	\$ (240,952)
Profit/(loss) before income tax	\$ (1,927,980)	\$ 1,096,952	\$ (20,384,593)	\$ (21,215,621)
Income tax expense	\$ -	\$ -	\$ -	\$ -
<b>Profit/(loss) after income tax</b>	<b>\$ (1,927,980)</b>	<b>\$ 1,096,952</b>	<b>\$ (20,384,593)</b>	<b>\$ (21,215,621)</b>

	Australia	China	Head Office	Total
Total Assets	\$ 12,629,333	\$ 1,506,925	\$ 29,865,987	\$ 44,002,245
Total Liabilities	\$ (6,910,805)	\$ (274,744)	\$ (5,163,137)	\$ (12,348,686)
<b>Net Assets</b>	<b>\$ 5,718,528</b>	<b>\$ 1,232,181</b>	<b>\$ 24,702,850</b>	<b>\$ 31,653,559</b>

Goodwill of \$26,746,939, separaratable intangibles of \$3,119,048 and contingent considerearton payable of \$5,163,137 has been allocated to Head Office as it is not possible to split these amounts into different segments.

**JATENERGY LIMITED AND CONTROLLED ENTITIES  
DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 14, are in accordance with the Corporations Act 2001 and;
  - (a) comply with the Australian Accounting Standards, AASB 134: Interim Financial Reporting;  
and
  - (b) give a true and fair view of the Group's financial position as at 31 December 2018 and of the performance for the half year ended on that date.
  
2. In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director  \_\_\_\_\_

Dated this 28th day of February 2019

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF JATENERGY LIMITED

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half year financial report of Jatenergy Limited and controlled entities (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2018, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Jatenergy Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134 *Interim Financial Reporting and the Corporation Regulations 2001*.

#### Key Audit Matters

Key matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our review of the financial report as a whole, and in forming our conclusion thereon, but we do not provide a separate conclusion on these matters. For each matter below, our description of how our review addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's Responsibilities for the review of the Financial Report section of our report, including in relation to these matters. Accordingly, our review included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our review procedures, including the procedures performed to address the matters below, provide the basis for our conclusion on the accompanying financial report.

## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the matter
<p><b><i>Goodwill and separable intangibles Impairment</i></b></p> <p>Included in the Group's consolidated statement of financial position at 31 December 2018 are goodwill and separable intangibles relating to the acquisitions of Green Forest International Pty Ltd (Green Forest), Sunnya Pty Ltd (Sunnya) and Golden Koala Pty Ltd (Golden Koala) of \$29,865,987.</p> <p>Management assessed the recoverable amount of the goodwill and separable intangibles relating to these three cash generating units as at 31 December 2018 separately, using discounted cashflow models which incorporate significant judgments in respect of assumptions such as discount rates as well as economic assumptions such as growth rates. As a result of managements assessments, all the goodwill of \$22,712,574 previously recognised relating to Golden Koala was impaired. Goodwill and separable intangibles relating to Green Forest and Sunya, and separable intangibles relating to Golden Koala totalling \$29,865,987 were assessed as not impaired.</p> <p>We focused on this area as a key matter during our review of the financial report for the half year ended 31 December 2018 due to the judgement involved in forecasting future cash flows and the selection of assumptions.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the "value in use" discounted cash flow models developed by management for each cash generating unit to assess the recoverable amount of goodwill and separable intangibles, including critically assessing the following assumptions: <ul style="list-style-type: none"> <li>- The discount rate;</li> <li>- The revenue growth rate,</li> <li>- other growth rate assumptions, and</li> <li>- the timing and amounts of forecasted cash flows.</li> </ul> </li> <li>• Testing on a sample basis the mathematical accuracy of forecasting of the to cash flows of the cash generating units.</li> <li>• Consideration of the assumptions used in comparison with publicly available data, and the finalised (Golden Koala) and draft (Green Forest and Sunnya) independent valuers reports as provided by management.</li> <li>• Subjecting the key assumptions to sensitivity analysis.</li> <li>• Assessing the appropriateness if the relevant disclosures made in the financial statements.</li> </ul>
<p><b><i>Acquisitions</i></b></p> <p>During the period, the Group made two acquisitions being 50% of Green Forest International Pty Ltd for total purchase consideration of \$7,657,172, and 51% of Sunnya Pty Ltd for a total purchase consideration of \$6,655,965.</p> <p>Significant judgement is required to identify and determine the value of separable intangible assets acquired, the contingent consideration that may be payable and the resultant goodwill arising on the acquisitions.</p> <p>The separable intangible assets are material to the Group and the Group has engaged an independent valuer to assist them in determining the appropriate assets and their values.</p> <p>The accounting for the two acquisitions are provisional at the date of the authorisation of the financial statements and our review report, as the valuers' work has not been finalised.</p> <p>This is a key audit matter due to the size of the acquisitions and the significant judgement involved in accounting for these transactions.</p>	<p>Noting that the group's accounting for these acquisitions remains provisional, our procedures included:</p> <ul style="list-style-type: none"> <li>• Reviewing the purchase contracts to identify factors impacting upon the determination of total purchase consideration. This includes considering the terms and conditions relating to any future payments to the former shareholders of the acquired entities under the relevant purchase contracts.</li> <li>• Reviewing the draft independent valuers reports</li> <li>• Reviewing the tangible assets acquired and liabilities assumed</li> <li>• Reviewing the Group's calculation of the total consideration payable</li> <li>• Consideration of whether the recognition and measurement of assets, liabilities and disclosures are accordance with Australian Accounting standards.</li> <li>• Forming our conclusion in relation to the provisional accounting for tangible assets acquired and liabilities assumed, identifiable intangible assets, contingent consideration and resultant goodwill.</li> </ul>

## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

### Material Uncertainty Relating to Going Concern

We draw attention to Note 1 of the consolidated financial report, which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group maybe unable to realise its assets discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

### Director's Responsibility for the Half-Year Financial Report

The directors of Jatenergy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Jatenergy Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

### Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the Jatenergy Limited and controlled entities for the half-year ended 31 December 2018 included on the website of Jatenergy Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

LNP Audit and Assurance Pty Ltd



Tony Rose  
Director

Melbourne, 28 February 2019