ANNUAL REPORT 2019

CORPORATE DIRECTORY

Directors:	Mr. Wilton Yao *Executive Director* Mr. Brett Crowley *Non-Executive Chairman* Mr. Xipeng Li *Non-Executive Director*
Company Secretary:	Mr. Justyn Stedwell and Mr Brett Crowley
Registered Office:	Suite 303 Office B, 521 Toorak Road TOORAK VIC 3142 Phone: +61 488 248 138
Website:	www.jatenergy.com
Share Registry:	Security Transfer Australia Pty Ltd 770 Canning Highway Applecross WA 6153 Phone: 1300 992 916
Auditor:	LNP Audit and Assurance Pty Ltd Level 14, 309 Kent Street SYDNEY NSW 2000
Stock Exchange Listing:	Jatenergy Limited shares are listed on the Australian Securities Exchange (ASX) under JAT.

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Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Jatenergy Limited ("Jatenergy", "JAT" or "Company") and its controlled entities during the year ended 30 June 2019.

Directors

The following persons were Directors of Jatenergy during the whole of the financial year and up to the date of this report.

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

Principal activity

The Group is an Asia Pacific trade specialist. This activity encompasses:

- the origination, development and manufacture of a range of consumer products;
- associated brand development, marketing and promotion; and
- the sale of client and in-house products, primarily in Australia and China via a multichannel strategy including traditional retail, and e-commerce platforms.

Operating and Financial Review

2019 has been a year of substantial growth for the Group with the completion of two large acquisitions, Green Forest International Pty Ltd and Sunnya Pty Ltd, adding significantly to its FMCG trading revenues in China and Australia. The acquisitions 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.

Sunnya has established its own highly successful brand, Neurio, and extended its product range and expanded its sales and distribution channels in Australia and throughout Asia. Neurio lactoferrin series products have been extremely successful in both local and Asian markets and additional Neurio products have been developed during the period with strong initial demand within these markets.

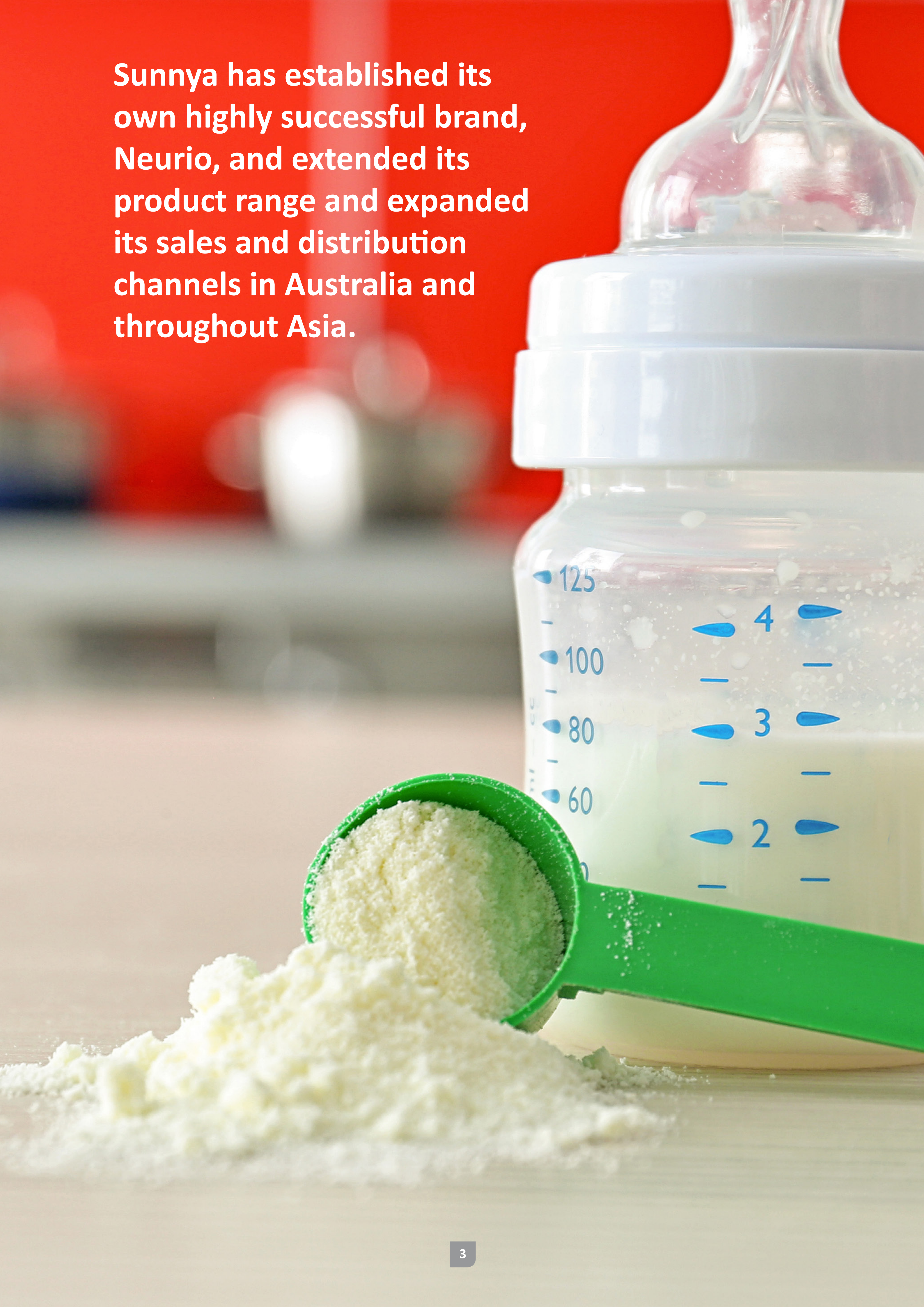
The Group achieved its first positive EBITDA / and pre impairment trading result for the Financial Year 2019 reporting revenue of $66.44 million and EBITDA of $5.28 million as compared to reporting revenue of $2.32 million and EBITDA of $(1.27) million for the Financial Year 2018.

This improvement trend is expected to continue in the 2020 Financial Year.

The loss for the year after tax was $20,492,541 (2018: $1,268,891). This was mainly attributable to impairment of goodwill and tradename of $24,072,574 and also includes write back of earnout liability provision of $2,568,933 relating to Golden Koala Group Pty Ltd as it did not satisfy the conditions specified in the buy and sell agreement.

The net assets of the Group have increased from $27,174,761 at 30 June 2018 to $32,141,437 at 30 June 2019 and includes cash of $7,844,671 (2018: $4,218,478).

Sunnya has established its own highly successful brand, Neurio, and extended its product range and expanded its sales and distribution channels in Australia and throughout Asia.



Directors' Report

Operating and Financial Review (continued)

The performance of the subsidiaries Sunnya Ltd and Green Forest International Pty Ltd are as follows.

Green Forest International Pty Ltd and controlled entity: Date of Acquisition (DOA): 11 August 2018

Particulars	2019 (11 months from DOA)
Revenue	$59.2M
Net Profit	$0.98M
EBITDA	$1.9M

Sunnya Ltd : Date of Acquisition (DOA): 10 October 2018

Particulars	2019 (9 months from DOA)
Revenue	$5.02M
Net Profit	$1.46M
EBITDA	$2.09M

Green Forest International Pty Ltd

On 11 August 2018, Jatenergy acquired 50% of Green Forest International Pty Ltd (Green Forest), a Sydney-based wholesaler, distributor and exporter selling to more than 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.

JAT completed the acquisition of Green Forest in August 2018. Refer to Note 23(a)(1) for details.

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.

In September 2018, Green Forest entered into an agreement with 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

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. Shareholders voted to approve the issue of 35,000,000 shares to the vendors of Sunnya International Pty Limited to facilitate the acquisition. Refer to Note 23(a)(2) for details.

Sunnya's 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 Eastran and Bei Dian, and Sunnya continues to negotiate access to more e-commerce platforms and stores across China. Sunnya products are also distributed in Korea, Hong Kong and Macau.

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.

NEURIO Lactoferrin proved 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.

Premium Australian milk products for all ages are manufactured in Australia and distributed into China, Vietnam and Indonesia.

ANMA
AUSTRALIAN NATURAL MILK ASSOCIATION

Directors’ Report

Operating and Financial Review (continued)

In the December 2018 quarter, Sunnya’s NEURIO Lactoferrin hit the shelves of 3,000 mother and baby stores in China as part of JAT’s distribution agreement with Cyclone, announced in June 2018. Sales of the product were boosted by promotional days, where JAT promoted the premium product, NEURIO Formulated Milk Powder with Lactoferrin. These promotional events generated sales of more than 2 million Chinese Yuan (approx. A$412,000).

In the March 2019 quarter, Sunnya further boosted its sales and distribution channels with several new agreements:

- A five-year agreement with Guangzhou Niurui Trading Co Ltd for Sunnya’s products to be distributed into 150 BABEMAX maternal retail outlets. Under the agreement, Guangzhou Niurui agreed to purchase 1.5 million units of Sunnya’s Neurio Lactoferrin milk powder, commencing with 100,000 units in the first year.
- A one-year agreement to sell through the popular online store, BON BON and its fast-growing subsidiary, WANWUSTORE.

These new agreements will extend the reach of Sunnya’s popular premium health products into a range of new retail outlets.

During the March quarter, Sunnya developed a premium milk product for adults, called Neurio Middle-Aged Formulated Nutritional Powder with Lactoferrin. Sales of this product commenced in mid-July 2019.

In June 2019, Sunnya appointed Health One Pty Limited as its exclusive distributor for its products in Australia, Vietnam, Indonesia and Singapore.

Products to be distributed under the agreement include Neurio Formulated milk powder with lactoferrin, Neurio Formulated goat milk powder with lactoferrin, Neurio Formulated middle-aged nutritional powder with lactoferrin, Neurio Algae DHA (Kids) Gel Candy, Neurio Mushroom Powder Gel Candy, Neurio Seaweed Calcium Gel Candy.

Health One works with a range of healthcare suppliers in Australia and overseas in retail, GP and specialist channels to position their products within retailers, especially pharmacies.

In June 2019, Sunnya announced it had extended its product range to include Australian-made goat milk infant formula to be sold in China, Hong Kong and Macao.

The development of the Neurio goat milk infant formula builds on the success of the Neurio lactoferrin series products. It is estimated that a very large proportion of the Chinese population has a certain degree of cow lactose intolerance and cow milk protein allergy. There is a significantly lower goat milk lactose intolerance to goat milk powder formula in China.

The Neurio goat milk infant formula has been developed to provide for three stages of child development by providing three separate products, being Neurio Goat Infant Formula, Neurio Goat Follow-on Formula and Neurio Goat Formulated supplementary food for young children. The Neurio goat milk infant formula products are being manufactured in Australia to ensure the high quality of the products.

The products will be distributed by BSC Trading, a well-known distributor based in China. The first order of more than $450,000 was received during the current financial year, together with a security deposit. The first shipment of the products will occur in August 2019.

Golden Koala Group 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 and based on the most recent available information, the Board of Directors decided to fully impair goodwill and tradename totalling to $24,072,574 during the current financial year.

Directors' Report

Operating and Financial Review (continued)

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

Jatpharm Joint Venture

During the March quarter, Jatenergy became the major shareholder in a joint venture, Jatpharm Pty Ltd, a new company preparing to establish an Australian manufacturing operation to produce health products, including vitamins and supplements, diary product and other over-the-counter products. The company did not trade during the year.
Jatpharm intends to seek registration with the Therapeutic Goods Administration in Australia and the relevant regulatory authorities in China. Jatpharm directors are continuing to search for a suitable site in Australia.

Dividends paid or recommended

No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made (2018: $nil).

Significant changes in state of affairs

Jatenergy's 51% owned subsidiary Golden Koala Group Pty Ltd has paid Nutritional Choice Australia Pty Ltd (NCA) security deposit of $2,000,000 pursuant to manufacturing agreement along with an advance of $500,000 to fund a CNCA application in relation to the products produced by NCA. NCA has granted Golden Koala a security interest over all its personal property to secure its obligations under the manufacturing agreement.

However, NCA has defaulted under the manufacturing agreement and never produced any milk formula for Golden Koala, resultantly Golden Koala terminated the manufacturing agreement and demanded the repayment of $2.5 million from NCA. As no repayment has been received despite the demand, Golden Koala has appointed a receiver in order to recover the amount outstanding.

Golden Koala is seeking other options for the manufacturing of its infant formula products for the Chinese market. At this point in time Jatenergy is working closely with BDO Australia Pty Limited to recover this $2.5 million and based on the current situation, Management is certain about the recovery of this outstanding deposit and the amount has not been provided for or impaired.

There have been no other significant changes in the state of affairs of the Group during the financial year other than those noted in this annual report.

Matters subsequent to the end of the financial year

Acquisition of Australian Natural Milk Association Pty Ltd ("ANMA")

In line with JAT's strategy to expand its in-house range of dairy, infant formula and other health products, Jatenergy has agreed to acquire 70% of the issued shares in ANMA a Melbourne-based dairy product canning manufacturer with CNCA/SAMR approval to export infant formula to China. The acquisition allows JAT to take control of the supply chain of one of its major growing products. As a result, JAT will eliminate reliance on contract manufacturers for its milk powder products, it will increase its profits by capturing the manufacturer's margin and business risk will be reduced.

The purchase consideration is $14 million, payable by instalments of cash totalling $12 million and, subject to shareholder approval, the issue of JAT shares in the amount of $2 million.

The remaining 30% of ANMA will be retained by a current shareholder. None of the vendors are related parties of JAT. Refer to ASX announcement dated 8 August 2019 for details.

Directors' Report

Matters subsequent to the end of the financial year (continued)

ANMA's manufacturing facility in Derrimut, Victoria

Directors' Report

Matters subsequent to the end of the financial year (continued)

General meeting of shareholders

JAT intends to hold a general meeting of shareholders on 24 September 2019 to approve the issue of JAT shares as part consideration for the acquisition of ANMA. The Company will circulate meeting details shortly via the ASX platform.

Other than the above, no other matters have arisen since 30 June 2019 that have significantly affected the Group's operations.

Likely developments and expected results of operations

Additional comments on expected results of certain operations of the Group are included in this annual report under the Operating and Financial Review.

Environmental regulations

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory in Australia.

Information on directors and company secretaries

Wilton Yao
MANAGING DIRECTOR – Appointed in November 2018

Wilton Yao has been involved in business broking industry for more than 10 years and specialises in franchise recruitment and development. He has worked with a number of franchise firms to develop franchise businesses for both local and international markets. Mr Yao has also been involved in managing several retail and franchise businesses for many years and has great experience and knowledge in management and marketing. Mr Yao has strong connections with overseas investors, especially from mainland China and he has worked closely with Australian Government organisations and local companies to promote successful investment projects for Chinese investors. He also provides consulting services to several ASX listed companies, focusing on project exploring and seeking investment funds from overseas investors.

Brett Crowley
NON-EXECUTIVE CHAIRMAN – Appointed on 23 August 2018,
COMPANY SECRETARY – Appointed 11 December 2017
Mr Crowley is a practicing solicitor and a former Partner of Ernst & Young in Hong Kong and Australia, and of KPMG in Hong Kong. He established and managed a joint venture company in China. Mr Crowley is an experienced chairman, finance director and company secretary of ASX-listed companies, and is a former Senior Legal Member of the NSW Civil and Administrative Tribunal.

Other current directorships in listed entities of which Mr Crowley hold are Non-Executive Director of both Uscom Limited (UCM) and Bisan Limited (BSN).

Xipeng Li
NON-EXECUTIVE DIRECTOR – Appointed on 15 April 2011

Xipeng Li is an experienced executive and has served as a Director and Chief Executive Officer of Pinglin Expressway Limited. He has also served as Chairman of Pinglin Expressway Limited since May 2003. Prior to that, Mr Li served as Chairman of HSV, China since May 2001 and as Chairman of Henan Shengrun Real Estate Co Ltd, China, since May 2000. Mr Li graduated from Zhongnan University of Economics and Law and he earned his EMBA at Cheung Kong Graduate School of Business.

Directors' Report

Information on directors and company secretaries (continued)

Anthony Crimmins

CHAIRMAN – Appointed on 22 May 2012 and resigned on 25 January 2019

Anthony has been actively involved in the business development of numerous start-up companies that have been funded and listed on the ASX. He was fundamental in identifying projects and businesses that could be successfully listed, particularly in "breakthrough" businesses. He worked for 6 years as an environmental engineer and business development manager in Asia, and has a level fluency in Mandarin and an understanding of Asian business practices. He has also previously worked as a general manager, project manager and in commercialisation of technology-based products and services.

Justyn Stedwell

COMPANY SECRETARY – Appointed on 8 January 2019

Justyn is a professional company secretary consultant, with over 12 years' experience as a company secretary of ASX-listed companies in various industries including biotechnology, agriculture, mining and exploration, information technology and telecommunications. Justyn's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting from Deakin University and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. He is currently company secretary at several ASX-listed companies.

Board meetings

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2019 and the numbers of meetings attended by each Director were:

	A	B
Anthony Crimmins	2	2
Wilton Yao	8	8
Brett Crowley	6	8
Xipeng Li	-	8

A Number of meetings attended
B Number of meetings held during the time the Director held office

Corporate Governance

The Board of Directors of Jatenergy is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Jatenergy on behalf of the shareholders by whom they are elected and to whom they are accountable.

Jatenergy's corporate governance practices were in place for the year and were compliant with the ASX Governing council's best practice recommendations, unless otherwise stated. Information on corporate governance is included in this Annual Report and further information can be requested from the Company's corporate office – Suite 303 Office B 521 Toorak Road, TOORAK VIC 3142.

Directors' Report

Risk management

The Company takes a proactive approach to risk management. Management, through the Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being managed. This is performed informally on a six-monthly basis or more frequently as required by the Board.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control.

The Company has developed a series of risks which the Company believes to be inherent in the business and industry in which the Group operates.

These include:

- operating risk;
- environmental risk;
- branding and reputation risk;
- legal, compliance and regulatory risk;
- competitor and market risk;
- intellectual property risk;
- occupational health and safety risk; and
- financing and adequacy of capital risk.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which we operate. This is not necessarily an exhaustive list.

The Board receives regular reports on addressing and management of the key risks associated with the Group's business. The Board has the right to appoint external professional advisers to carryout investigations into control mechanisms, and report their findings and recommendations in relation to control improvements, processes and procedures to the Board.

Directors' Report

Remuneration Report

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for Financial Year 2019. The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration;
B. Details of remuneration;
C. Service agreements;
D. Share-based compensation; and
E. Other Information.

These disclosures have been audited, as required by section 308(3C) of the Corporations Act 2001.

Role of the remuneration committee

Currently the role of the Remuneration Committee is undertaken by the Board given the number of directors and the nature and size of the Company. Its role is to make recommendations on:

- non-executive director fees;
- executive remuneration (directors and other executives including key management personnel); and
- the over-arching executive remuneration framework and incentive plan policies.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. In doing this, the remuneration committee seeks advice from independent remuneration consultants.

The Corporate Governance Statement provides further information on the role of this committee.

Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its Directors, Executives and other key management personnel.

To prosper, the Group must attract, motivate and retain highly skilled Directors, Executives and other key management personnel. To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- ensure that a significant portion of executive remuneration is 'at risk', and therefore dependent on meeting pre-determined performance benchmarks; and
- establish appropriate performance hurdles in relation to variable executive remuneration.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of Directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. Currently the Board has determined that Directors and senior managers will be remunerated at fixed rates per month to enable the Group to have control of its costs and cash flows.

Directors will reintroduce remuneration policies which place a significant portion of executive remuneration 'at risk'.

Remuneration structure

In accordance with the corporate governance principles and recommendations, the structure of Non-Executive Director and Executive and key management personnel remuneration is separate and distinct.

Directors' Report

Remuneration Report (continued)

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, while incurring costs that are acceptable to shareholders.

Structure

The constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting of shareholders. At the general meeting of shareholders held on 17 November 2019, this maximum amount was set at $350,000 per annum. The Group has two Non-Executive Directors. Mr Xipeng Li received $Nil in remuneration (2018: $Nil) and Brett Crowley received $66,825 in 2019 financial year. Previously Mr Wilton Yao was considered a non-executive director, but he has taken on the role of Managing Director and is therefore now an Executive Director.

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to Directors are reviewed annually. The Board considers fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Executive and Key Management Personnel remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

There are currently no full-time executives of the Company and the remainder of this policy reflects the current policy, however, when the financial situation of the Company changes in the future and full-time executives are appointed then this policy will be reviewed and updated to incorporate appropriate market conditions prevailing at that time.

Structure

A policy of the Board is to establish employment or consulting contracts with the chairman, managing director and other senior executives. At the time of this report there is a consulting agreement with Wilton Yao, while a consulting agreement with Anthony Crimmins was ended in January 2019.

Remuneration consists of fixed remuneration under a consultancy agreement and long-term equity-based incentives that are subject to satisfaction of performance conditions. The equity-based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of group-wide and individual performance, relevant comparative remuneration in the market, and internal and (where appropriate) external advice on policies and practices.

Directors' Report

Remuneration Report (continued)

Remuneration Policy and Performance

KPIs are set annually, with a certain level of consultation with Key Management Personnel. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures and/or operational targets for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, and bonuses may be awarded from time to time depending on the number and deemed difficulty of the KPIs achieved and overall Group performance. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the consolidated entity's goals and shareholder wealth, before the KPIs are set for the following year.

Voting and comments made at the Company's last Annual General Meeting

The Remuneration Report was passed unanimously on a show of hands at the 2018 Annual General Meeting. The Company did not receive any feedback on the Report during this meeting.

Relationship between remuneration policy and Group performance

Information is provided below in relation to revenue, profitability and share price for the past 5 years. The Company does not currently have any full-time executives, other than Key Management Personnel and therefore there is no comparative remuneration information and how it relates to the performance of the company. The Managing Director's contract is a fixed fee per month and does provide for any incentive performance payments which can be in the form of capital raising and/or to assist in bringing in a Daigou store or business into Jatenergy.

	2019	2018	2017	2016	2015
	$	$	$	$	$
Revenue	66,444,062	2,316,886	9,826,738	967,052	32,851
Net loss	(20,492,541)	(1,268,891)	(406,025)	(1,978,817)	(1,127,373)
Share price	0.047	0.060	0.014	0.01	0.019

The Company is currently reviewing its remuneration policies as indicated above.

Incentive performance payments related to capital raising for the current financial year.

Directors' Report

Remuneration Report (continued)

B – Details of remuneration

The remuneration of the Directors and other key management personnel of Jatenergy are set out below. Key management personnel for the year ended 30 June 2019 include Anthony Crimmins, Wilton Yao, Brett Crowley and Parag Khandekar. Contracts between Mr Crimmins and the Group were ended in January 2019 while Mr Yao has contracts currently in place with the Group.

Name	Cash salary and fees	Total	Performance related
2019	**$**	**$**	**%**
Non-executive directors			-
Xipeng Li	-	-	-
Brett Crowley *	60,750	60,750	-
Total non-executive directors	**60,750**	**60,750**	**-**
Executive directors			
Anthony Crimmins	255,000	255,000	69%
Wilton Yao	440,480	440,480	40%
Total executive directors	**695,480**	**695,480**	**47%**
Other key management personnel			
Parag Khandekar (appointed on 12 June 2018)	164,249	164,249	-
Total other key management personnel	**164,249**	**164,249**	**-**
Total	**920,479**	**920,479**	**47%**

* Payments to Brett Crowley included director fees of $30,000, secretary fees and other reimbursement of $30,750.

Name	Cash salary and fees	Total	Performance related
2018	**$**	**$**	**%**
Non-executive directors			-
Xipeng Li	-	-	-
Total non-executive directors	-	-	-
Executives directors			
Anthony Crimmins	208,000	208,000	-
Wilton Yao	256,000	256,000	-
Total executive directors	**464,000**	**464,000**	**-**
Total	**464,000**	**464,000**	**-**

Directors' Report

Remuneration Report (continued)

C. Service Agreements

The following executives are employed under consulting contracts. The major provisions of the agreements are as follows.

Name	Terms of agreement	Notice period
Anthony Crimmins	- Contract dated 1 March 2018 for $11,000/month (ex GST) subsequently increased to $14,000/month (ex GST) effective from 1 April 2018 by Board Resolutions, plus $100,000 (ex GST) for bringing in a business by acquisition into Jatenergy. The total payable under the contract is $223,000 (ex GST). - Contract dated 15 October 2018 for $5,000/month (ex GST) from December 2018. Contract ended in January 2019 due to his resignation. The total paid under the contract was $10,000 (ex GST). - 31 October 2018 consultation fee for $75,000 (ex GST) for raising share capital of $5 million.	Consultant to provide minimum 7 days written notice to the company.
Wilton Yao	- Contract dated 1 March 2018 for $15,000/month (ex GST), plus $100,000 (ex GST) for bringing in a business by acquisition into Jatenergy. The total amount payable under the contract was $160,000 (ex GST). - Contract dated 1 July 2018 for $20,000/month (ex GST) from 1 July 2018 for 12 months ending 30th June 2019. Contract was subsequently increased to $25,000/month (ex GST) in January 2019 for another 12-month period (ending February 2020). The total amount payable under the contract was $265,000 (ex GST). - Contract dated 31 October 2018 for $75,000 (ex GST) Consultation fees for raising share capital of $5 million.	Consultant to provide minimum 7 days written notice to the company.

Directors' Report

Remuneration Report (continued)

D. Shareholding of Key Management Personnel and Directors

Details of ordinary shares held by key management personnel and directors are shown below

	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors and key management personnel of Jatenergy ordinary shares	**No.**	**No.**	**No.**
2019			
Xipeng Li	81,188,999	(1,111,111)	80,077,888
Anthony Crimmins	39,478,582	(6,354,224)	33,124,358
Wilton Yao	18,811,111	1,000,000	19,811,111
Brett Crowley	1,112,111	-	1,112,111
2018			
Xipeng Li	13,411,222	67,777,777	81,188,999
Anthony Crimmins	38,367,568	1,111,014	39,478,582
Wilton Yao	17,700,000	1,111,111	18,811,111
Brett Crowley	1,112,111	-	1,112,111

Director and executive options

No options were granted as remuneration in the financial year ended 30 June 2019, or the year ended 30 June 2018.

There were no options held by key management personnel in 2019 (2018: nil).

E. Other Information

There were no loans to Directors or executives during or since the end of the year or during the prior year.

END OF REMUNERATION REPORT

Directors' Report

Insurance and Indemnification of officers and auditors

During the financial year, the Company paid premiums to insure the Directors and officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity of officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company.

The Company entered into Deeds of Indemnity, Insurance and Access with each of the Directors and the Company Secretary. Each deed provides officers with the following:

- a right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- subject to the Corporations Act an indemnity in respect of liability to persons other than the Company and its related companies that they may incur while acting in their capacity as an officer of the Company or a related company, except where that liability involves a lack of good faith and for defending certain legal proceedings; and
- the requirement that the Company maintain appropriate Directors' and officers' insurance for the officer.

No liability has arisen under these indemnities as at the date of this report. No insurance or indemnification has been given to the auditors.

Options on issue

There were 86,666,667 options issued based on approval granted by shareholders during the general meeting held on 21 December 2018. The options are exercisable at 6c each and expire on 30 November 2019.

Of the 86,666,667 options, 11,616,666 options were exercised during the year ended 30 June 2019 resulting in 11,616,666 shares being issued at 6c each.

There remain 75,050,001 unexercised options as at 30 June 2019.

No further shares have been issued since year end. No amounts are unpaid on any of the shares.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

There are no other proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Future Developments

Any future developments required to be disclosed as per ASX Listings Rules have either been disclosed previously or are included in commentary or notes to this report. Any future items requiring to be disclosed will be disclosed according to recent listing rules.

Environmental Issues

The Group is not subject to any environmental laws in the Commonwealth or States or Territories of Australia.

Directors' Report

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the Company are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are detailed in Note 18.

The Board has considered the position and in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit service is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of ethics for Professional Accountants.

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 20.

This report is made in accordance with a resolution of the Board of Directors:

Managing Director

Wilton Yao

Dated this 27 day of August 2019

LNP Audit + Assurance

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF JATENERGY LIMITED AND ITS CONTROLLED ENTITIES

As lead auditor of Jatenergy Limited and its controlled entities for the year ended 30 June 2019, 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 audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Jatenergy Limited and its controlled entities during the financial year.

LNP Audit and Assurance Pty Ltd

Anthony Rose
Director

Melbourne, 27 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	4	**66,444,062**	2,316,886
Cost of sales		**(59,696,079)**	(2,232,836)
Gross Profit		**6,747,983**	84,050
Other income	4	**3,955,906**	86,817
Administration		**(1,561,390)**	(314,521)
Advertising & marketing		**(604,063)**	(83,534)
Consultancy & professional fees		**(625,025)**	(335,000)
Depreciation & amortisation		**(518,352)**	-
Directors' fees		**(756,230)**	(464,000)
Employee benefits		**(1,295,372)**	(157,402)
Finance costs		**(523,048)**	(634)
Impairment loss	10	**(24,072,574)**	-
Other expenses		**(582,151)**	(84,667)
Loss before income tax		**(19,834,316)**	(1,268,891)
Income tax expense	5	**(658,225)**	-
Total comprehensive loss for the year		**(20,492,541)**	(1,268,891)
Loss attributable to:			
- Members of parent entity		**(9,796,969)**	(1,221,111)
- Non-controlling interest		**(10,695,572)**	(47,780)
		(20,492,541)	(1,268,891)
Loss per share for loss attributable to the ordinary equity holders of the company:		**Cents**	Cents
Basic loss per share	25	**(1.35)**	(0.34)
Diluted loss per share	25	**(1.35)**	(0.34)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	6	**7,844,671**	4,218,478
Trade and other receivables	7	**4,744,319**	2,966,354
Financial Assets	8	**-**	400,000
Inventory	9	**3,267,750**	-
Total current assets		**15,856,740**	7,584,832
Non-current assets			
Plant and equipment		**63,379**	-
Intangible assets	10	**28,799,052**	24,072,574
Total non-current assets		**28,862,431**	24,072,574
Total assets		**44,719,171**	31,657,406
Liabilities			
Current liabilities			
Trade and other payables	11	**1,121,600**	231,712
Borrowings	13	**1,675,806**	-
Tax liabilities		**919,384**	-
Provisions	12	**5,305,470**	-
Total current liabilities		**9,022,260**	231,712
Non-Current liabilities			
Provisions	12	**-**	2,568,933
Borrowings	13	**2,527,374**	1,274,000
Deferred Tax Liabilities	14	**1,028,100**	408,000
Total non-current liabilities		**3,555,474**	4,250,933
Total liabilities		**12,577,734**	4,482,645
Net assets		**32,141,437**	27,174,761
Equity			
Contributed equity	15	**57,556,005**	45,216,805
Accumulated losses		**(40,267,593)**	(30,470,624)
Total Parent Entity		**17,288,412**	14,746,181
Non-controlling interests		**14,853,025**	12,428,580
Total equity		**32,141,437**	27,174,761

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Contributed Equity	Non-Controlling Interest	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2017	**28,497,444**	**880,720**	**(29,249,513)**	**128,651**
Loss for the year	-	(47,780)	(1,221,111)	(1,268,891)
Total comprehensive income	**-**	**(47,780)**	**(1,221,111)**	**(1,268,891)**
Issue of Capital	16,719,361	-	-	16,719,361
Non-Controlling Interests	-	11,595,640	-	11,595,640
Transaction with owners	**16,719,361**	**11,595,640**	**-**	**28,315,001**
Balance at 30 June 2018	**45,216,805**	**12,428,580**	**(30,470,624)**	**27,174,761**
Balance at 1 July 2018	**45,216,805**	**12,428,580**	**(30,470,624)**	**27,174,761**
Loss for the year	-	(10,695,572)	(9,796,969)	(20,492,541)
Total comprehensive income	**-**	**(10,695,572)**	**(9,796,969)**	**(20,492,541)**
Issue of Capital	12,339,200	-	-	12,339,200
Non-Controlling Interests	-	13,120,017	-	13,120,017
Transaction with owners	**12,339,200**	**13,120,017**	**-**	**25,459,217**
Balance at 30 June 2019	**57,556,005**	**14,853,025**	**(40,267,593)**	**32,141,437**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cashflows

For the year ended 30 June 2019

	Note	2019	2018
		$	$
Cash flows from operating activities			
Receipts from customers		**72,242,117**	2,191,565
Payments to suppliers and employees		**(74,635,172)**	(3,667,957)
Interest received		**258,255**	3,175
Finance costs paid		**(523,048)**	(634)
Income tax paid		**(146,841)**	-
Net cash outflow from operating activities	24	**(2,804,689)**	(1,473,851)
Cash flows from investing activities			
Deposits paid to NCA		**-**	(2,500,000)
Payments for the acquisition of controlled entities		**(4,600,000)**	(2,400,000)
Net cash inflow/(outflow) from investing activities		**(4,600,000)**	(4,900,000)
Cash flows from financing activities			
Proceeds from borrowings		**2,841,682**	1,274,000
Proceeds from issues of shares		**8,189,200**	3,030,212
Proceeds from issue of convertible notes		**-**	6,189,149
Net cash inflow from financing activities		**11,030,882**	10,493,361
Increase in cash and cash equivalents		**3,626,193**	4,119,510
Cash and cash equivalents at the beginning of the financial year		**4,218,478**	98,968
Cash and cash equivalents at end of year	6	**7,844,671**	4,218,478

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements

For the year ended 30 June 2019

Corporate Information

Jatenergy is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Suite 303 Office B, 521 Toorak Road, Toorak VIC 3142.

This financial report covers the consolidated entity consisting of Jatenergy and its controlled entities.

General Information and Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial report has been prepared on an accruals basis.

The financial report is presented in Australian currency. The financial report was authorised for issue by the Directors on 26 August 2019. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.jatenergy.com.

1 Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Jatenergy) and all of the subsidiaries. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 22.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and comprehensive income.

(b) Comparatives

Comparatives are consistent with previous year unless stated.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(c) Revenue and other income

For comparative year

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Revenue from contracts with customers

For current year

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

Specific revenue streams

The Group recognises revenue from the following major sources:

- sale of formulated milk powder with lactoferrin to wholesale and retail customers; and
- sale of vitamins, cosmetic products, dairy products and other health-related consumer goods to wholesale and retail customers.

Sale of goods

Revenue from sales is recognised when control of the goods has transferred, being the point in time when the goods have been shipped to the customer. Revenue is only recognised where it is highly probable that a significant reversal of revenue will not occur and control gets completely passed on to the wholesaler or to the ultimate customers.

The Group's sales are accompanied by an obligation that the Group will provide a refund where the goods are deemed to be faulty. This obligation is accounted for in accordance with the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent Assets however based on history, the level of refunds for faulty products has been minimal and therefore there is no provision at 30 June 2019.

The general credit terms vary between 2-4 weeks from the date of despatch of goods and hence there is no financing element to the Group's sales.

On delivery of the goods to the wholesaler (i.e. when they are shipped and received by wholesaler) the Group recognises a receivable as this represents the point in time at which the Group's right to consideration becomes unconditional as an invoice is issued immediately post shipment.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(c) Revenue and other income (continued)

Statement of financial position balances relating to revenue recognition

Costs to obtain a contract

Costs incurred that would have been incurred regardless of whether the contract was won are expensed, unless those costs are explicitly chargeable to the customer in any case (whether or not the contract is won).

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(g) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profits or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

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.

(h) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries (note 23) is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Tradename and customer relationships

Separately acquired tradename and customer relationships are shown at historical cost. Tradename and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(i) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(j) Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(l) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.
Assets measured at amortised cost are financial assets where the business model is to hold assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.
Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost. When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Impairment of trade and other receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(l) Financial instruments (Continued)

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of the Group comprise trade and other payables, borrowings and finance lease liabilities.

Financial assets

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "interest paid". Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Group's financial liabilities include trade and other payables, borrowings and finance lease liabilities, which are measured at amortised cost using the effective interest rate method. Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition.

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days from date of invoice.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Subsequent Measurement

Loans and receivables are carried at amortised cost using the effective interest method or cost.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(l) Financial instruments (continued)

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised as profit or loss. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable maybe impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of any impairment loss is recognised in profit or loss within administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other income in profit or loss.

(m) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(n) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method.

The depreciation rates used for each class of depreciable assets are:

- Motor vehicle 25%

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(q) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probably that an outflow of economic resources will be required from the Group and the amounts can be estimated reliably.

Provision for earnout liabilities are calculated based on the conditions stated within the sale agreement for both Green Forest and Sunnya. Provisions are discounted to their present values, where the time value of money is material.

(r) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account. When any entity within the Group purchases the Company's ordinary shares, the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

(s) Earnings per shares

The calculation of basic EPS has been based on the profit/loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding (see note 25 for details).

(t) Change in accounting policies

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

(i) AASB 15: *Revenue*

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 company 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. Where the company's contracts comprise a variety of performance obligations including, but not limited to, equipment delivery, training, and installation, under AASB 15, the company must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources; and
- it is 'separately identifiable' (i.e. the company does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the company during the year. Application of AASB 15 did not impact the way in which the company accounts for revenue from sale of goods or provision of services.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(t) Change in accounting policies (continued)

(ii) 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.

The company applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers which is predominantly Australia. The expected loss rates are based on the payment profile for sales over the past 36 months before 30 June 2019 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking economic factors affecting the customer's ability to settle the amount outstanding. The company has identified the borrowing rate for small to large business and the unemployment rate to be the most relevant factors and accordingly adjusts historical loss rates for expected changes with reference to these factors. However, given the short period exposed to credit risk, the impact of these economic factors has not been considered significant within the reporting period. Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments and to communicate alternative payment arrangements may be considered indicators of no reasonable expectation of recovery. Given the prudent approach to estimating losses on receivables in accordance with the previous standards, the company did not need to adjust the estimated recoverability of trade receivables on transition to AASB 9.

The adoption of these Accounting Standards and Interoperations did not have any significant impact on the financial performance or position of Group.

Notes to Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies (continued)

(u) New accounting standards and Australian accounting interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant.

Standard Name	Effective Date	Requirements	Impact
AASB 16 leases	1 January 2019	AASB 16 will cause the majority of leases to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.	The entity currently has $781,876 worth of operating leases at year-end. Management has performed the assessment and expects that as at 1 July 2019, right to use assets of $661,447, together with a corresponding liability of $661,447 will be brought to the balance sheet. Interest and amortisation expense will increase, and rental expense will decrease. The Group is applying the modified Retrospective approach and therefore will not restate comparatives. The low value exception will be used for all leases of laptops and mobile phones.

2 Critical Accounting Estimates and Judgements

The Group makes estimates, judgements and assumptions concerning the future, which by definition, seldom equal the actual results.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future as a result of not being correct in are set out below.

i. Going concern basis of accounting

The financial statements have been prepared on a going concern basis. The Group incurred a loss after tax in the year from continuing operations of $20,492,541 (2018 loss: $1,268,891) and has negative cash flows from operating activities for the year of $2,804,689 (2018: $1,473,851). The Company raised equity of $8,189,200 from external investors throughout the year and at 30 June 2019 had cash at bank of $7,844,671 (2018: $4,218,478). The company announced on 8 August 2019 that it proposes to acquire 70% of the issued shares in Australian Natural Milk Association Pty Ltd (ANMA) which is expected to be settled by way of $12 million in cash, and $2 million through issue of shares in the parent company. Therefore, the company may be required to raise further capital to facilitate this acquisition. These conditions along with other matters indicate that a material uncertainty exists that may cast significant doubt in relation to the Group's ability to continue as a going concern. No adjustments have been made to the financial report relating to the recoverability or classification of the recorded asset amounts and classification of liabilities that may be necessary should the Group not continue as a going concern.

Notes to Financial Statements

For the year ended 30 June 2019

2 Critical Accounting Estimates and Judgements (continued)

ii. Recoverability and value of Nutritional Choice Australia Pty Ltd (NCA) security deposit and advance of $2,500,000 (refer note 7)

Jatenergy's 51% owned subsidiary Golden Koala Group Pty Ltd has paid Nutritional Choice Australia Pty Ltd (NCA) a security deposit of $2,000,000 pursuant to manufacturing agreement along with an advance of $500,000 to fund a CNCA application in relation to the products produced by NCA. NCA has granted Golden Koala a security interest over all its personal property to secure its obligations under the manufacturing agreement.

However, NCA has defaulted under the manufacturing agreement and never produced any milk formula for Golden Koala. Golden Koala terminated the manufacturing agreement and demanded the repayment of $2.5 million from NCA. As no repayment had been received despite the demand, Golden Koala appointed a receiver in order to recover the amount outstanding.

Golden Koala is seeking other options for the manufacturing of its infant formula products for the Chinese market. At this point in time Jatenergy is working closely with BDO Australia Pty Limited to recover this $2.5 million and based on the current situation. Management is certain about the recovery of this outstanding deposit and the amount has not been provided for or impaired.

iii. Goodwill arising from the acquisition of Golden Koala Group Pty Ltd, Green Forest International Pty Ltd, and Sunnya Pty Ltd (refer note 22)

Golden Koala Group Pty Ltd

Jatenergy acquired 51% of the issued capital of Golden Koala in March 2018 and recognised goodwill of $22,712,574, and tradenames of $1,360,000. The expectation was 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.

Accordingly, taking a prudent approach based on the most recent information, the Directors have fully impaired the goodwill and the tradename due to the delay in production and sales to external customers and uncertainty in obtaining the CFDA licence in the immediate future.

Green Forest Pty Ltd

On 11 August 2018, Jatenergy acquired 50% of the issued capital of Green Forest International Pty Ltd. Goodwill of $13,984,244 was recognised and the directors believe that as at 30 June 2019, there is no indication of impairment because sales from existing customers have increased in the current financial year.

Sunnya Pty Ltd

On 10 October 2018, Jatenergy acquired 51% of the issued capital of Sunnya Pty Ltd (Sunnya). Goodwill of $11,902,161 was recognised on the acquisition date based on valuations performed by an independent third party commissioned by management. The directors believe that as at 30 June 2019, there is no indication of impairment as the company has entered several new agreements with Chinese distributors which expected to contribute to its projected growth in sales.

Notes to Financial Statements

For the year ended 30 June 2019

2 Critical Accounting Estimates and Judgements (continued)

iv. Tradenames arising from the acquisition of Golden Koala Group Pty Ltd and Sunnya Pty Ltd (refer note 10 and 22)

Golden Koala Group Pty Ltd

A tradename of $1,360,000 was acquired in March 2018. Due to the factors stated above in Note 2 (iii), the Directors have fully impaired the tradename at year-end.

Sunnya Pty Ltd

Tradenames of $597,000 were recognised as a result of the acquisition. Management has considered the useful life of the brand based on customers and sales to date and present value estimates of future sales and considers 10 years to be a reasonable estimate. Key assumptions used were:

- 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;
- a discount rate of 15%. The discount rate reflects assumptions relating to market risk and specific risk factors of each business unit including the uncertainty relating to the successful registration and licensing by Chinese Food and Drug Administration;
- stable profit margins, based on past and recent experience in both markets, which management believes is the best available input for forecasting and budgeting; and
- No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

v. Customer Relationships arising from the acquisition of Green Forest International Pty Ltd and Sunnya Pty Ltd (refer note 10 and 22)

Green Forest Pty Ltd

Customer relationships of $1,900,000 have been recognised based on the current sales from existing customers, the directors estimate these have an effective useful life of 5 years.

Sunnya Pty Ltd

Customer relationships of $930,000 have been recognised based on the current sales and market demand, the directors estimate these have an effective useful life of 5 years.

(vi) 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 as the goodwill amount has been fully impaired during the year.

Notes to Financial Statements

For the year ended 30 June 2019

3 Segment information

The Group has identified its geographic segments based on the internal reports that are reviewed and used by the Executive Director (chief operating decision maker) in assessing performance and determining the allocation of resources. Geographic segments are determined based on location of its markets and customers which are Australia, China and New Zealand.

	Australia	**China**	**New Zealand**	**Total**
	$	**$**	**$**	**$**
Revenue	34,890,836	29,467,859	2,085,367	66,444,062
Expenses	(57,129,631)	(3,491,475)	(1,061,650)	(61,682,756)
Finance cost	(523,048)	-	-	(523,048)
Impairment	(23,664,574)	-	-	(23,664,574)
Income tax expense	(1,066,225)	-	-	(1,066,225)
Profit/(loss) after income tax	**(47,492,642)**	**25,976,384**	**1,023,717**	**(20,492,541)**
Total assets	30,230,271	14,488,900	-	44,719,171
Total liabilities	(12,303,601)	(269,984)	(4,149)	(12,577,734)
Net assets	**17,926,670**	**14,218,916**	**(4,149)**	**32,141,437**

Notes to Financial Statements

For the year ended 30 June 2019

4 Revenue

	2019	2018
	$	$
Revenue		
Trading Income	66,444,062	2,381,886
Total Revenue	**66,444,062**	**2,381,886**
Other Income		
Interest	258,255	3,175
Rental income	-	60,027
Earnout liability written back	2,552,637	-
Miscellaneous Income	1,145,014	23,615
Total Other Income	**3,955,906**	**86,817**

5 Income tax expense

	2019	2018
	$	**$**
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(19,834,316)	(1,268,891)
Tax (benefits) at the Australian tax rate of 30%* (2018: 27.5%)	(5,827,895)	(348,945)
Tax effect of amounts which are not deductible in calculating taxable income:		
- Tax effect of		
- non-deductible expenses	6,951,519	20,478
- changes in recognised temporary differences	27,973	-
Adjusted income tax	1,151,597	(328,467)
Tax losses not brought to account	(85,372)	328,467
Income tax expense	**658,225**	**-**

* The Group has a turnover more than $60 million for the year ended 30 June 2019. It is over the base rate entity threshold and therefore, tax rate of the Group increased to 30% in 2019 due to increase in turnover of the Group

The Parent company has unrecognised available tax losses of $3,391,496 as at 30 June 2019. These tax losses have not been recognised due to uncertainty of their recoverability in future periods.

Tax consolidation legislation

Jatenergy has not formed a tax consolidated group.

Notes to Financial Statements

For the year ended 30 June 2018

6 Cash and cash equivalents

	Consolidated Entity	
	2019	**2018**
	$	**$**
Cash at bank and in hand	7,844,671	4,218,478
Total	**7,844,671**	**4,218,478**

7 Trade and other receivables

	Consolidated Entity	
	2019	**2018**
	$	**$**
Current		
Trade receivables	1,362,859	214,229
Deposit paid to Nutritional Choice Australia (refer to note 2(ii))	2,500,000	2,500,000
Prepayments	495,493	37,479
Other receivables	385,967	214,646
Total	**4,744,319**	**2,966,354**

Impairment

Trade receivables	**<30 days**	**<60 days**	**<90 days**	**>90 days**	**Total**
	$	**$**	**$**	**$**	**$**
2019	891,006	448,324	22,557	972	1,362,859
2018	212,099	-	2,130	-	214,229

Standard customer credit terms are generally less than 30 days depending on the customer. The amount of trade receivables past due but not impaired at 30 June 2019 was $471,853 (2018: $2,130).

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rate has been estimated at 0.1% and has been determined based on historic experience of sales and bad debts.

NCA deposits have been considered in detail for impairment, refer note 2(ii).

Other receivables have been assessed and no impairment is considered necessary.

Notes to Financial Statements

For the year ended 30 June 2018

8 Financial Assets

	Consolidated Entity	
	2019	**2018**
	$	**$**
Deposit paid	-	400,000
Total	**-**	**400,000**

The deposit paid related to the acquisition of Sunnya Pty Ltd. This acquisition took place on 11 October 2018.

9 Inventory

	Consolidated Entity	
	2019	**2018**
	$	**$**
Finished goods	3,100,652	-
Raw materials	138,000	-
Packaging materials	29,098	-
Total	**3,267,750**	**-**

10 Intangible assets

	Consolidated Entity	
	2019	**2018**
	$	**$**
Goodwill (a)	25,886,406	22,712,574
Tradenames (b)	1,957,000	1,360,000
Accumulated amortisation	(43,017)	-
Impairment loss	(1,360,000)	-
Carrying Value	553,983	1,360,000
Customer relationship (c)	2,830,000	-
Accumulated amortisation	(471,337)	-
Carrying Value	2,358,663	-
Total	**28,799,052**	**24,072,574**

Notes to Financial Statements

For the year ended 30 June 2018

10 Intangible assets (continued)

Movement in carrying amount of intangible assets

(a) Goodwill	Consolidated Entity 2019 $	2018 $
Balance as at 1 July	22,712,574	-
Acquired (refer note 22(a))	25,886,406	22,712,574
Impairment loss – Golden Koala	(22,712,574)	-
Carrying Value	**25,886,406**	**22,712,574**

(b) Tradenames	Consolidated Entity 2019 $	2018 $
Balance as at 1 July	1,360,000	-
Acquired (refer note 22(a))	597,000	1,360,000
Impairment loss – Golden Koala	(1,360,000)	
Amortisation	(43,017)	-
Carrying Value	**553,983**	**1,360,000**

(c) Customer Relationships	Consolidated Entity 2019 $	2018 $
Balance as at 1 July	-	-
Acquired (refer note 22(a))	2,830,000	-
Amortisation	(471,337)	-
Carrying Value	**2,358,663**	**-**

The total impairment charge to profit in the period comprises;

Golden Koala Goodwill	22,712,574	-
Golden Koala Tradenames	1,360,000	-
	24,072,574	**-**

11 Trade and other payables

	Consolidated Entity 2019 $	2018 $
Trade payables	209,476	211,964
Sundry accruals and other payables	912,124	19,748
Total	**1,121,600**	**231,712**

Trade payables are non-interest bearing. Their fair value approximates their carrying amount.

Notes to Financial Statements

For the year ended 30 June 2019

12 Provisions

	Consolidated Entity	
	2019	**2018**
Current	**$**	**$**
Earnout liabilities	5,250,000	-
Provision for annual leave	55,470	-
Total	**5,305,470**	**-**
Non-Current		
Earnout liabilities*	-	2,568,933
Total	**-**	**2,568,933**

* The Earnout liability provision was written back because the conditions specified in the buy and sale agreement were not met and the amount did not become payable.

13 Borrowings

	Consolidated Entity	
	2019	**2018**
Current	**$**	**$**
Loans from shareholders	1,328,482	-
Loans from Directors	338,269	-
Other	9,055	-
Total	**1,675,806**	**-**
Non-Current		
Loans from shareholders	2,460,509	1,274,000
Other	66,865	-
Total	**2,527,374**	**1,274,000**

These borrowings are due in more than a 12-month period. There is no interest payable on these borrowings.

14 Deferred Tax Liabilities

	Consolidated Entity	
	2019	**2018**
	$	**$**
Balance as at 1 July	408,000	**-**
Acquired through business combination (note 22)	1,028,100	408,000
Write back	(408,000)	-
Total	**1,028,100**	**408,000**

Notes to Financial Statements

For the year ended 30 June 2019

15 Contributed equity

	Consolidated Entity	
	2019	**2018**
Share capital	**$**	**$**
Ordinary Shares		
798,486,181 (2018: 588,816,182) Fully paid shares	57,556,005	45,216,805
Total Share Capital	**57,556,005**	**45,216,805**

Movements in ordinary share capital	**2019 $**	**2018 $**	**2019 Number**	**2018 Number**
Opening balance	45,216,805	28,497,444	588,816,182	219,161,351
Share issues during the year:				
Sep 2017 (Share placement)		120,000		10,000,000
Nov 2017 (Share placement)		384,500		28,799,998
Dec 2017 (Share placement)		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 (Issue of shares to investors)		37,800		2,520,000
May 2018 (Issue of shares to directors)		300,000		3,333,333
May 2018 (Issue of shares per prospectus)		90		1,000
Aug 2018 (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	
Oct 2018 (Share placement)	5,000		333,333	
Oct 2018 (Acquisition of Sunnya)	1,470,000		35,000,000	
Oct 2018 (Share placement)	1,027,200		22,420,000	
Dec 2018 (Share placement)	5,200,000		86,666,667	
Feb 2019 (Conversion of options)	697,000		11,616,666	
Closing balance	**57,556,005**	**45,216,805**	**798,486,181**	**588,816,182**

* 7,361,900 ordinary fully paid shares ("Error Shares") were issued to shareholders on 11 December 2017 due to an error. No payment was received from shareholders of Error Shares. Jatenergy Limited is in the process of undertaking a buyback of the Error Shares pursuant to section 257A of the Corporations Act. The buyback agreements, which are subject to shareholder approval, are in the process of being completed with the holders of the Error Shares. Once these agreements have been completed, the buyback will be completed for no consideration payable to the holders of the Error Shares.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes in the Group's approach to capital risk management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to Financial Statements

For the year ended 30 June 2019

16 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limited and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's activities expose it to a limited number of financial risks as described below. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. To date, the Group has not had the need to utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposure identified. The Group holds the following financial instruments.

		2019	**2018**
	Note	**$**	**$**
Financial assets			
Cash and cash equivalents	6	**7,844,671**	4,218,478
Trade and other receivables	7	**4,744,319**	2,966,354
Financial assets	8	-	400,000
Total		**12,588,990**	7,584,832
Financial liabilities			
Trade and other payables	11	**1,121,600**	231,712
Borrowings (current and non-current)	13	**4,203,180**	1,274,000
Total		**5,324,780**	1,505,712

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

(a) Interest rate risk

The Group's main interest exposure arises from cash at bank and bank term deposits. The bank term deposit has an interest rate which is fixed for the term of the investment and the bank accounts have a floating interest rate.

As at the year end the groups cash was all held at bank at call, there were no term deposits.

(b) Foreign exchange risk

Foreign exchange risk arises from commercial transactions and assets and liabilities held in a currency that is not the entity's functional currency, which is Australian dollars. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group has one USD foreign currency bank account and the balance of this account at 30 June 2019 was $486,972 (2018: Nil).

Notes to Financial Statements

For the year ended 30 June 2019

16 Financial risk management (continued)

(c) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits and banks as well credit exposure including outstanding receivables and committed transactions.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

Sales to retail customers are settled in cash or using major credit cards. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(ii) Impairment of financial assets

The group mainly has one type of financial assets that are subject to the expected credit loss model, being trade and other receivables (see note 7).

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

In respect of the group, credit risk relates to loans with subsidiary. In order to achieve stated corporate objectives, the parent entity provides financial support to subsidiary but only to the level which the Board considers necessary to achieve these objectives and meets agreed conditions. Any loans to subsidiaries considered to be unrecoverable have been provided for.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 30 June 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance. Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cashflow are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Notes to Financial Statements

For the year ended 30 June 2019

16 Financial risk management (continued)

(d) Liquidity risk

The Group maintains sufficient liquidity by holding cash in readily accessible accounts. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group has no access to borrowing facilities at the reporting date. The Group's financial assets of $12,588,990 have a maturity within 12 months of 30 June 2019 and financial liabilities of $5,324,780 have a maturity as the following:

	Due in 1 year	Due in 1 to 5 year	Total
	$	$	$
Trade and other payables (note 11)	1,121,600	-	1,121,600
Borrowings (note 13)	1,675,806	2,527,374	4,203,180
	2,797,406	**2,527,374**	**5,324,780**

(e) Fair value

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values unless otherwise noted, determined in accordance with the accounting policies disclosed in the summary of significant accounting policies.

(f) Sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk. This demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest rate sensitivity analysis

The Group as 30 June 2019 held cash in low interest-bearing bank accounts. The Directors do not consider that any reasonably possible movement in interest rates would cause a material effect on Group's performance or equity.

Foreign currency risk sensitivity analysis

The Group sells goods overseas and is affected by movement in the US dollar exchange rate. All purchases are performed in Australia in AUD. To mitigate foreign currency risk for US dollar transactions the Group has a US dollar bank account. Payments made from this US dollar account are from foreign customer deposits or transfers of cash at a time the exchange rate is deemed favourable. The Directors do not consider that any reasonably possible movement in foreign currency rates would cause a material effect on Group's performance or equity given transactions are predominantly carried out in AUD.

17 Key management personnel

Directors and Key Management Personnel of Jatenergy (refer to Remuneration report for details) during the financial year were paid the following amounts.

	Consolidated Entity	
	2019	2018
	$	$
Short term benefits*	920,479	464,000
Total	**920,479**	**464,000**

*These amounts include fees and benefits paid to the Chairman, executive director and non-executive directors as well as all salary, paid leave benefits, short term incentive payments awarded to each KMP. There were no transactions with key management personnel during the financial year ended 30 June 2019 or 30 June 2018 other than noted here, in the remuneration report, and Note 21.

Notes to Financial Statements

For the year ended 30 June 2019

18 Auditors remuneration

During the year the following fees were paid or payable for services provided by the auditor and a non-related audit firm. No other services were provided by the auditor.	Consolidated Entity	
	2019	**2018**
	$	**$**
LNP Audit and Assurance Pty Ltd	70,000	-
Hall Chadwick	42,682	26,098
Total remuneration - audit or review of financial reports	112,682	26,098

19 Fair value measurement

The Group measures Goodwill, Customer relationships, and tradenames at fair value on a recurring basis:

Assets and liabilities measured at fair value are assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

All the assets held at fair value by the group, being Goodwill, Customer relationships and trademarks are classified as level 3. The value of these assets is disclosed in note 10.

20 Contingencies and Commitments

There are no contingent liabilities as at 30 June 2019 (2018: none).

Operating lease commitments	Consolidated Entity	
	2019	**2018**
	$	**$**
Commitments for minimum lease payments in relation to operating leases contracted for the reporting date but not recognised as liabilities, payable:		
Within one year	262,414	-
Over one year	519,462	-
	781,876	**-**

The lease commitments are rental leases over the Sydney/Melbourne premises of the Group. Lease payments are increased on an annual basis to reflect market rentals.

Finance lease commitments total $75,920 (2018 $nil) and are due in less than 5 years.

Notes to Financial Statements

For the year ended 30 June 2019

21 Related party transactions

	Consolidated Entity	
	2019	**2018**
	$	**$**
(a) Payable to or receivable from related parties at year-end.		
Directors/secretary & consulting fees (inc GST) payable to J&Y Group Pty Ltd, a company controlled by Wilton Yao.	28,380	-
Fees invoiced to Jatenergy Limited receivable from Abundant Natural Health Pty Ltd, a company controlled by Anthony Crimmins, a director at year- end.	-	1,065
Fees invoiced to Jatenergy Limited payable from Abundant Produced Limited, a company controlled by Anthony Crimmins, a director at year- end.	-	44,334
Fees invoiced to Jatenergy Limited payable from Abundant Produced Limited, a company controlled by Anthony Crimmins, a director at year- end.	-	15,618
(b) Transactions occurring during the year:		
Directors & consulting fees (inc GST) paid to Top Cat Consulting Services Pty Ltd for the provision of the services of Anthony Crimmins.	280,500	228,800
Directors & consulting fees (inc GST) paid/payable to J&Y Group Pty Ltd for the provision of the services of Wilton Yao.	484,528	281,600
Directors/secretary & consulting fees (inc GST) paid to BTC Lawyers for the provision of the services of Brett Crowley.	66,825	-
Ecomag Limited, a company in which Anthony Crimmins is a director, paid rent to Jatenergy during the period.	33,387	36,379
Ecomag Limited, a company in which Anthony Crimmins is a director, received rent from Jatenergy during the period.	-	75,201
Top Cat consulting Services Pty Ltd, a company controlled by Anthony Crimmins, received payment for expenses incurred during the period.	-	4,236
Abundant Produce Limited a company of which Anthony Crimmins is a director, paid rent to Jatenergy during the period.	-	10,650
Abundant Produce Limited a company of which Anthony Crimmins is a director, paid Jatenergy for staff expenses during the period.	16,346	-
Abundant Seeds Pty Ltd, a company of which Anthony Crimmins is a director, paid rent to Jatenergy Limited during the period.	-	13,708
Abundant Natural Health Pty Ltd, a company of which Anthony Crimmins is a director paid rent to Jatenergy Limited during the period.	-	11,715
Abundant Natural Health Pty Ltd, a company of which Anthony Crimmins is a director, received payments from Jatenergy Limited for expenses.	5,000	-
Jatenergy Limited paid Abundant Natural Health Pty Ltd, a company of which Anthony Crimmins is a director during the period.	-	165,220
J&Y Group Pty Ltd, a company controlled by Wilton Yao, received payment for administration and accounting services provided during the period.	8,230	9,761
TAT Commercial Property Pty Ltd, a company of which Anthony Crimmins is a director was paid rent by Jatenergy Limited.	-	71,670

Jatenergy Limited is the ultimate parent entity within the Group. Interests in subsidiaries are set out in note 22.

Notes to Financial Statements

For the year ended 30 June 2019

22 Controlled entities

Subsidiaries of Jatenergy which are consolidated	Country of incorporation / Place of Business	Percentage Owned (%)*		Percentage Owned by Non-Controlling Interest (%)*	
		2019	2018	2019	2018
		%	%	%	%
Golden Koala Group Pty Limited	Australia	51	51	49	49
Jatenergy Developments Pty Limited	Australia	-	75	-	25
Green Forest International Pty	Australia	50	-	50	-
Sunnya Pty Ltd	Australia	51	-	49	-
Jatpharm Pty Ltd	Australia	55	-	45	-

* Percentage of voting power is in proportion to ownership.

Jatenergy Developments Pty Ltd, was deregistered on 3 January 2019.

Jatpharm Pty Ltd didn't carry out any business activity during year ended 30 June 2019.

(a) Acquisition of entities

(1) A 50% ownership interest in Green Forest International Pty Ltd was acquired during the year.

Purchase consideration	**2019** **$**
Consisting of	
- Cash consideration	2,000,000
- 40,000,000 Shares in Jatenergy	2,680,000
- Contingent consideration	2,977,172
Total Consideration	**7,657,172**
Assets and liabilities held at acquisition date	
Net assets	100
Deferred tax liabilities	(570,000)
Net Identifiable Assets Acquired	**(569,900)**
Customer relationships	1,900,000
Goodwill on consolidation	13,984,244
Non-controlling equity interest in acquisition	(7,657,172)
Net Assets Acquired	**7,657,172**

Notes to Financial Statements

For the year ended 30 June 2019

22 Controlled entities (continued)

(2) A 51% ownership interest in Sunnya Pty Ltd was acquired during the year. Details of the transactions are:

Purchase consideration	**2019 $**
Consisting of	
- Cash consideration	3,000,000
- 35,000,000 Shares in Jatenergy	1,470,000
- Contingent consideration	2,256,532
Total Consideration	**6,726,532**
Assets and liabilities held at acquisition date	
Net assets	218,218
Deferred tax liabilities	(458,100)
Net Identifiable Assets Acquired	**(239,882)**
Customer relationships	930,000
Tradenames	597,000
Goodwill & tradenames on consolidation	11,902,161
Non-controlling equity interest in acquisition	(6,462,747)
Net Assets Acquired	**6,726,532**

(b) Fair value of net identifiable assets

The fair value of net identifiable assets acquired relating to Green Forest and Sunnya have been determined based on a final valuation report received from an independent valuation specialist.

At 31 December 2018, the fair values of the assets and liabilities acquired are provisional and pending final valuations. The valuations have been completed and the balances for the acquisition have been 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.

Notes to Financial Statements

For the year ended 30 June 2019

22 Controlled entities (continued)

(c) Cash outflow

During the year, the Group obtained control of Green Forest International Pty Ltd 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 payables	(846,033)	-	(846,033)
Total purchase price paid in cash	**2,309,029**	**218,218**	**2,527,247**
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

23 Events occurring after the reporting date

In line with JAT's strategy to expand its in-house range of dairy, infant formula and other health products, Jatenergy has agreed to acquire 70% of the issued shares in ANMA a Melbourne-based dairy product canning manufacturer with CNCA/SAMR approval to export infant formula to China. The acquisition allows JAT to take control of the supply chain of one of its major growing products. As a result, JAT will eliminate reliance on contract manufacturers for its milk powder products, it will increase its profits by capturing the manufacturer's margin and business risk will be reduced.

The purchase consideration is $14 million, payable by instalments of cash totalling $12 million and, subject to shareholder approval, the issue of JAT shares in the amount of $2 million.

The remaining 30% of ANMA will be retained by a current shareholder. None of the vendors are related parties of JAT. Refer to ASX announcement dated 8 August 2019 for details.

General meeting of shareholders

JAT intends to hold a general meeting of shareholders on 24 September 2019 to approve the issue of JAT shares as part consideration for the acquisition of ANMA. The Company will circulate meeting details shortly via the ASX platform.

Other than the above, no other matters have arisen since 30 June 2019 that have significantly affected the Group's operations.

Notes to Financial Statements

For the year ended 30 June 2019

24 Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated Entity	
	2019	**2018**
	$	**$**
Loss for the year including income tax	(20,492,541)	(1,268,891)
Depreciation	518,352	-
Impairment loss	24,072,574	-
Other income	(3,722,101)	-
Change in operating assets and liabilities:		
(Increase)/decrease in inventories	(3,267,750)	-
(Increase)/decrease in trade and other receivables	(1,777,965)	(383,559)
Increase/(decrease) in trade and other payables	889,888	178,599
Increase/(decrease) in income tax liability	919,384	-
Increase/(decrease) in provision for employee	55,470	-
Net cash outflow from operating activities	**(2,804,689)**	**(1,473,851)**

25 Loss per share

	Consolidated Entity	
	2019 cents	**2018 cents**
(a) Basic and diluted loss per share		
Basic loss attributable to the ordinary equity holders of the Company	(1.35)	(0.34)
Diluted loss attributable to the ordinary equity holders of the Company	(1.35)	(0.34)
(b) Loss used in calculating basic and diluted loss per share	(9,796,969)	(1,221,111)
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	725,777,040	358,083,512
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share.	725,777,040	358,083,512

Notes to Financial Statements

For the year ended 30 June 2019

26 Jatenergy Limited - Parent Company Information

	Consolidated Entity	
	2019	**2018**
	$	**$**
Parent Entity		
Assets		
Current assets	5,526,180	5,907,909
Non-current assets	28,913,148	12,468,932
Total assets	**34,439,328**	**18,376,841**
Liabilities		
Current liabilities	5,831,797	643,381
Non-current liabilities	-	2,568,933
Total liabilities	**5,831,797**	**3,212,314**
Equity		
Issued capital	57,556,004	45,216,805
Retained earnings	(28,948,473)	(30,052,278)
Total equity	**28,607,531**	**15,164,527**
Financial performance		
Profit/(Loss) for the year	1,103,804	(1,160,605)
Other comprehensive income	-	-
Total comprehensive income	**1,103,804**	**(1,160,605)**

Directors Declaration

In accordance with a resolution of the directors of Jatenergy Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 53 are in accordance with the *Corporations Act 2001* and
    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer.

Managing Director

Wilton Yao

Dated this 27 day of August 2019

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF JATENERGY LIMITED AND ITS CONTROLLED ENTITIES

Opinion

We have audited the financial report of Jatenergy Limited and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company.

In our opinion, the accompanying financial report of Jatenergy Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit 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 audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit 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 audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key Audit Matter	How our audit addressed the matter
Recoverability and disclosure in relation to security deposit of $2,000,000 and advance of $500,000, due from Nutritional Choice Australia Pty Ltd (NCA) an entity which has been placed into receivership during the current financial year Refer Note 7 – Trade and other receivables During 2018 financial year, Golden Koala Pty Ltd (Golden Koala) paid to NCA a security deposit of $2,000,000 pursuant to manufacturing agreement to secure manufacture of milk formula along with an advance of $500,000 to fund a CNCA application. On 12 June 2019 Golden Koala appointed a receiver to recover the security deposit of $2,000,000 along with the advance of $500,000 from NCA. This action was taken by Golden Koala after NCA failed to repay these amounts to Golden Koala when requested to do so. Full recovery of these amounts will be dependent on the outcome of the receivership or other arrangements which management may consider, which are dependent on uncertain future events. Management has assessed the recoverability of these amounts and consider that they will be recovered in full. Management considers that information relating to the proceedings that are in progress is commercially sensitive and disclosure would result in unreasonable prejudice to the company. Management has made no disclosures relating to the timing and the amount of the recovery of these amounts in the financial report. This is a key audit matter due to the judgement involved in considering the outcome of uncertain future events, and the disclosures to be made, in relation to the recovery of these amounts.	Our procedures included: • Verification of the contractual arrangements in relation to the payment of security deposit of $2,000,000 to secure manufacture of milk formula and advance of $500,000 to fund a CNCA application. • Enquiry over and assessment of the Director's and management's considerations in deciding to appoint a receiver to recover the security deposit of $2,000,000 and advance of $500,000. • Review of the documentation appointing the receiver. • Considering the information available in relation to the receivership and other correspondence relating to the same. • Evaluating the directors and management's assessment of the recoverability of security deposit of $2,000,000 and advance of $500,000 and management's strategy to do so. • Enquiring with Jatenergy's solicitor in relation to these amounts. • Assessing the disclosures made in the financial statements.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>Assessment of carrying value of intangible assets including goodwill – Golden Koala Group Pty Ltd ('Golden Koala')
Refer Note 10 – Intangible assets

Golden Koala was acquired in March 2018 and Goodwill of $22,712,574 and tradenames of $1,360,000 were recognised as a result.

Management assessed the recoverable amount of the goodwill and separable intangibles at 30 June 2019 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. Other factors including the delay in obtaining the CFDA license in China have been considered. As a result, the goodwill and tradename have been fully impaired, and an amount of $24,072,574 has been recorded in the statement of profit or loss and other comprehensive income.
This a key audit matter due to the judgement involved in forecasting future cash flows and the selection of assumptions.</td><td>Our procedures included, among others:
• 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:
a) the discount rate;
b) the revenue growth rate;
c) other growth rate assumptions; and
d) the timing and amounts of forecasted cash flows.
• Consideration of the assumptions used in comparison with publicly available data, and independent valuer's reports as provided by Management.
• Assessing company's impairment testing model by subjecting the key assumptions to sensitivity analysis and stress test.
• Assessing company's estimates on the useful life of the tradename.
• Assessing the appropriateness of the relevant disclosures made in the financial statements.</td></tr>
<tr><td>Assessment of carrying value of intangible assets including goodwill – Green Forest International Pty Ltd ('Green Forest') and Sunnya Pty Ltd ('Sunnya')
Refer Note 10 – Intangible assets

Included in the consolidated statement of financial position at 30 June 2019 are goodwill and separable intangibles (tradename and customer relationships) relating to the acquisitions of Green Forest International Pty Ltd ('Green Forest') and Sunnya Pty Ltd ('Sunnya') amounting to $28,799,052.

Management assessed the recoverable amount of goodwill and separable intangibles relating to these two cash generating units as at 30 June 2019 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. Based on management's assessment, Goodwill and separable intangibles relating to both entities were not impaired.

This a key audit matter due to the judgement involved in forecasting future cash flows and the selection of assumptions.</td><td>Our procedures included, among others:
• 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:
e) the discount rate;
f) the revenue growth rate;
g) other growth rate assumptions; and
h) the timing and amounts of forecasted cash flows.
• Testing on a sample basis the mathematical accuracy of forecasting of the cash flows of the cash generating units.
• Consideration of the assumptions used in comparison with publicly available data, and independent valuer's reports as provided by Management.
• Assessing company's impairment testing model by subjecting the key assumptions to sensitivity analysis and stress test.
• Assessing company's estimates on the useful life of the tradename and customer relation.
• Assessing the appropriateness of the relevant disclosures made in the financial statements.</td></tr>
</table>

Key Audit Matter	How our audit addressed the matter
Acquisitions Refer Note 22(a) During the year, 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. 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. 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. The accounting for the two acquisitions has been finalised and independent valuation report has been received at year-end. This is a key audit matter due to the size of the acquisitions and the significant judgement involved in accounting for these transactions.	Our procedures included, amongst others: • 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. • Reviewing the independent valuer's reports. • Reviewing the tangible assets acquired and liabilities assumed. • Reviewing the Group's calculation of the total consideration paid and earnout liability calculation expected to be paid. • Consideration of whether the recognition and measurement of assets, liabilities and disclosures are accordance with Australian Accounting standards. • Consideration of the disclosures made in the financial statements.
Assessment of useful lives of intangibles (customer relations and tradename) Note 2(iv) - Critical Accounting Estimates and Judgements Tradenames amounting to $597,000 have been recognised upon acquisition of Sunnya during the year. Management has considered the effective useful life of the brand based on customers and sales to date and present value estimates of future sales, and has assessed 10 years to be a reasonable estimate of the useful life of this asset. Customer relationships amounting to $2,830,000 have been recognised upon the acquisition of Sunnya and Green Forest during the year. Management has considered the effective useful life of customer relationships based on the current sales and market demand and has assessed 5 years as a reasonable estimated useful life. This a key matter due to the judgement involved in forecasting future cash flows and the selection of assumptions.	Our procedures included, among others: • Evaluating the "value in use" discounted cash flow models developed by management for each cash generating unit to assess the recoverable amounts of separable intangibles, including critically assessing the following assumptions: i) the discount rate; j) the revenue growth rate; k) other growth rate assumptions; and l) the timing and amounts of forecasted cash flows. • Testing on a sample basis the mathematical accuracy of forecasting of the cash flows of the cash generating units. • Consideration of the assumptions used in comparison with publicly available data, and independent valuer's reports as provided by Management. • Assessing company's estimates on the useful life of the tradename and customer relation. • Assessing the appropriateness of the relevant disclosures made in the financial statements.

Material Uncertainty Relating to Going Concern

Without modification to our opinion expressed above attention is drawn to Note 2(i) of the financial report, which sets out the basis on which the directors believe that the Group will be able to continue as a going concern. The Group incurred a loss after tax in the year from continuing operations of $20,492,541 (2018 loss: $1,268,891) and has negative cash flows from operating activities for the year of $2,804,689 (2018: $1,473,851). The Company raised equity of $8,189,200 from external investors throughout the year and at 30 June 2019 had cash at bank of $7,844,671 (2018: $4,218,478). The company announced on 8 August 2019 that it proposes to acquire 70% of the issued shares in Australian Natural Milk Association Pty Ltd (ANMA) which is expected to be settled by way of $12 million in cash, and $2 million through issue of shares in the parent company. Therefore, the company may be required to raise further capital to facilitate this acquisition. These conditions along with other matters set out in Note 2(i) indicate that a material uncertainty exists that may cast significant doubt in relation to the Group's ability to continue as a going concern.

No adjustments have been made to the financial report relating to the recoverability or classification of the recorded asset amounts and classification of liabilities that may be necessary should the Group not continue as a going concern.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- We are also required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 12 to 17 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Jatenergy Limited and its controlled entities for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

The engagement partner on the audit resulting in this independent auditor's report is Anthony Rose.

LNP Audit and Assurance Pty Ltd

Anthony Rose
Director
Melbourne, 27 August 2019

Corporate Governance Statement

The Company's compliance and departures from the Recommendations as at the date of this announcement are set out below:

Item	ASX Best Practice Recommendation	Comment	Implemented
Principle 1: Lay a solid foundation for management and oversight			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	**The Role of the Board** The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of the Company. **The Role of Management** It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.	Yes
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background. The Company provides material information following the guidance contained in the ASX Corporate Governance Principles and Recommendations (3rd Edition) about any candidate to enable security holders to make informed decisions regarding the candidate's election or re-election.	Yes
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company requires that a detailed letter of appointment or employment contract is agreed with each director and employee. The Company's officers and management have all entered into service contracts which outline the responsibilities of each of the Company's officers and of management personnel when performing their roles for the Company.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary has a direct reporting line to the Board, through the Chair, on all matters to do with the proper functioning of the board.	Yes
1.5	A listed entity should: (a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) Disclose that policy or a summary of it; and (c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Board has established a Diversity Policy and will endeavour, where appropriate and practicable, to comply with this policy. The Diversity Policy is disclosed on the Company's website. The Board is currently satisfied with the level of diversity within the organisation and no measurable objectives have been set in regard to gender diversity. The Company currently has 3 directors on the Board who are male, the Company's only senior executive officer (CEO Wilton Yao) is a male.	Partial

Item	ASX Best Practice Recommendation	Comment	Implemented
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Due to the current size of the Board and the Company, a Remuneration and Nomination Committee has not been established and the Board is currently responsible for evaluating its performance, and the performance of its committees and individual directors. There were considerable Board changes over the previous year, therefore, a review of the current Board has not been conducted but it is intended a Board review will occur this year.	Yes
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Board is responsible for evaluating the performance of the senior executives. The evaluation procedure for senior executives includes a review and assessment of performance against key performance indicators. No review was conducted in the period as the Company's only senior executive Wilton Yao was appointed during the year.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
Principle 2: Structure the board to add value			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Board is responsible for the nomination and selection of Directors. Given the size of the Company and the nature of its operations, the Board does not believe it to be appropriate to establish a nomination committee at this time. The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisors where considered appropriate.	Yes
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Board has not, at this time adopted a board skills matrix. However, the Company considers its directors have an appropriate range of skills, experience and expertise.	No
2.3	A listed entity should disclose:	As at the date of this statement, the Board comprises 3 directors of which one Director, Brett Crowley is considered independent.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
	(a) The names of the directors considered by the board to be independent directors; (b) If a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) The length of service of each director.	The length of service of each Director is provided in the 2019 Annual Report.	
2.4	A majority of the board of a listed entity should be independent directors	As at the date of this statement, the Board comprises 3 directors of which one Director, Brett Crowley is considered independent. The Board considers the presence of one independent director (who is also Chair) provides the Board with sufficient independence. The Board will consider the appointment of an additional independent director this year.	No
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chair of the Board is Mr Brett Crowley, an independent Director. The role of CEO and Chairman are not exercised by the same person.	Yes
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Board shall induct new directors in accordance with the process set out in the Company's Board Charter which is disclosed on the Company's website.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
Principle 3: Act ethically and responsibly			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Board has established a code of conduct which is available on the Company's website.	Yes
Principle 4: Safeguard integrity in corporate reporting			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Board fulfils the responsibilities of the Audit and Risk Committee. The Board has adopted a Charter for the Audit and Risk Committee, which is available on the Company's website. The Directors believe it is appropriate for the Board to act as the Audit Committee at this stage of the Company's development. Given the size of the Board, it is considered that no efficiencies or other benefits would be gained by establishing a separate Committee. The Board will review this position on an ongoing basis as the Company continues to grow. Details on Board composition and independence have been set out previously in this Corporate Governance Statement.	Partial

Item	ASX Best Practice Recommendation	Comment	Implemented
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Board receives a written assurance from the CEO and CFO (or CFO equivalent) for each financial reporting period that their opinion is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company's auditor is required to attend the Company's AGM and is available to answer questions relevant to the audit.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
Principle 5: Make timely and balanced disclosure			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company has adopted a Communication and Disclosure Policy to ensure compliance with its disclosure obligations under the ASX Listing Rules. To comply with the ASX Listing Rules, the Company intends to immediately notify the ASX of information: • concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; • that would, or would be likely to, influence persons who commonly invest in securities. The Communication and Disclosure Policy includes processes designed to ensure that Company information: • is disclosed in a timely manner; • is factual; • does not omit material information; and • is expressed in a clear and objective manner that allows the input of the information when making investment decisions. The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company. Accordingly, in following and adhering to its Communications and Disclosure Policy the Company will comply with its continuous disclosure obligations	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
Principle 6: Respect the rights of security holders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Information about the Company and its governance is available to shareholders via the Company's website.	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Board is committed to ensuring that Shareholders receive information relating to the Company on a timely basis and shall endeavour to keep Shareholders well informed of all material developments of the Company. The Company has developed a Communications and Disclosure Policy to ensure all relevant information is identified and reported accordingly. The Company encourages shareholders to attend and participate in general meetings and will make itself available to meet shareholders and respond to shareholder enquiries.	Yes
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders	The Company encourages all shareholders to attend General Meetings of the Company via its notices of meeting, and in the event they cannot attend, to participate by recording their votes.	Yes
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company and its share registry actively encourage electronic communication. All new shareholders will be issued with a letter encouraging the registration of electronic contact methods.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
Principle 7: Recognise and manage risk			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Board fulfils the responsibilities of the Audit and Risk Committee. The Board has adopted a Charter for the Audit and Risk Committee, which is available on the Company's website. The Directors believes it is appropriate for the Board to act as the Audit Committee at this stage of the Company's development. Given the size of the Board, it is considered that no efficiencies or other benefits would be gained by establishing a separate Committee. The Board will review this position on an ongoing basis as the Company continues to grow. Details on Board composition and independence have been set out previously in this Corporate Governance Statement.	Partial
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Board reviews on an annual basis the effectiveness of the Company's management of its material risk.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	This function is undertaken by the Board as a whole via the review of risk management and internal control processes on a regular basis.	Yes
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Company may from time to time be exposed to economic, environmental and social sustainability risks. The Company has adopted a Risk Management Policy to assist with management of these risks.	Yes
Principle 8: Remunerate fairly and responsibly			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Given the size of the Board and the Company's current operations the Company has not established a separate Remuneration and Nomination Committee as it is considered that no efficiencies or other benefits would be gained by establishing a separate committee. The Board is responsible for the Company's remuneration policy and has adopted a Nomination and Remuneration Policy which outlines the processes by which the Board shall review officer and management remuneration. The Company is committed to remunerating its officers and executives fairly and to a level which is commensurate with their skills and experience and which is reflective of their performance. Further disclosure of officer and executive remuneration will be made in accordance with the ASX Listing Rules and the Corporations Act.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	The Company will disclose all Director and executive remuneration and policies on remuneration in its annual reports and also in its remuneration policy. The remuneration of any Executive Director will be decided by the Board, without the affected Executive Director participating in that decision- making process. In addition, subject to any necessary Shareholder approval, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director (e.g. non-cash performance incentives such as Options). Directors are also entitled to be paid reasonable travel and other expenses incurred by them in the course of the performance of their duties as Directors. The Board reviews and approves the Company's nomination and remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's size and level of activity as well as the relevant Directors' time, commitment and responsibility.	Yes

Item	ASX Best Practice Recommendation	Comment	Implemented
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company does not have an equity based remuneration scheme at this time, however, intends to implement a scheme in 2019. The Board is responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed. The Company recognises that Director, executives and employees may hold securities in the Company and that most investors are encouraged by these holdings. The Company's Securities Trading Policy explains and reinforces the Corporations Act 2001 requirements relating to insider trading. The Policy applies to all Directors, executives, employees and consultants and their associates and closely related parties.	N/A

Shareholder Information

Additional Information required by the ASX Limited listing rule and not disclosed elsewhere in this report are set out below.

The shareholder information set out below was applicable as at 26 August 2019.

(a) Distribution of equity securities

Analysis of a number of ordinary fully paid shareholders by size of holding:

			Holders	Units	Percentage
1	-	1,000	91	20,424	0.00%
1,001	-	5,000	453	1,490,558	0.28%
5,001	-	10,000	500	4,005,087	0.63%
10,001	-	100,000	1,490	61,993,287	8.70%
100,001	-	And over	731	730,976,824	90.38%
		Total on Register	**3,265**	**798,486,180**	**100%**

Total number of holders of less than a marketable parcel of ordinary shares: 5,701,303.

(b) Substantial holders

The substantial shareholders of the Company are as follows:

Holder Name	Ordinary Shares	Percentage
Golden Lucky Star PL	83,333,333	10.44%
Sheng Run Holdings Group	80,077,888	10.03%
Zhongliang Wang	36,718,290	4.60%
Yulong Gu	34,735,379	4.35%
Anthony Crimmins	33,124,358	4.15%
Yaoan Chen & Yan Li	23,050,484	2.89%

Shareholder Information

(c) Voting rights
The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary Shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(d) Equity security holdings
Twenty largest quoted equity security holders.

The names of the 20 largest quoted equity security holders of quoted equity securities are listed below:

		Spread & Top 20 Listings	
	Holder Name	**Current Units**	**Status % of Issued**
1	Golden Lucky Star Pty Ltd	83,333,333	10.44%
2	Sheng Run Holdings (Australia) Group Pty Ltd	80,077,888	9.49%
3	Mr Zhongliang Wang	36,718,290	4.60%
4	Mr Yulong Gu	34,735,379	4.35%
5	Mr Anthony Stephen Crimmins	33,124,358	4.15%
6	Mr Yaoan Chen & Mrs Yan Li	23,050,848	2.89%
7	Mr Zhou Xuan Feng	21,111,111	2.64%
8	Jin & Yao Investments Pty Ltd	19,811,111	2.48%
9	C&L Chen Pty Ltd	16,949,152	2.12%
10	Miss Yaqing He	15,000,000	1.88%
11	Mr Adam Leslie Hajek & L G	13,500,000	1.69%
12	Mr Lin Li	12,479,000	1.56%
13	Ms Yanxia Lu	10,000,000	1.25%
14	Mr Yinghan He	10,000,000	1.25%
15	Hajek Superannuation Pty Ltd	7,577,659	0.95%
16	Mr Bo Qiang	7,487,765	0.94%
17	Mr Wesley Wei	5,555,555	0.70%
18	Mr Xiaojun Zhang	5,256,000	0.66%
19	Down The Line Consulting Pty Ltd	4,447,379	0.56%
20	Dr Huy Tran	4,170,341	0.52%
	Total Top 20 Shareholders	**444,385,169**	**55.65%**


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