



ASX ANNOUNCEMENT

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Highlights

- **Acquisition of 51% of Sunnya Pty Ltd**
- **Substantial expansion in JAT's portfolio of in-house products**
- **Sunnya in-house brands include Neurio (currently selling in China) and Raicare Goat Formula (CFDA application lodged)**

Background

The Board of Jatenergy Limited (JAT) is pleased to announce that it has agreed, subject to shareholder approval, to purchase a controlling 51% interest in Sunnya Pty. Ltd (Sunnya), an Australian exporter with a portfolio of milk powders and health products currently selling in China.

"The acquisition of Sunnya will broaden our in-house product range substantially," JAT Executive Director Wilton Yao said. "We see great potential, combining Sunnya products and JAT distribution capacity. These products are already selling into China and we will boost their sales by combining with our Chinese online platforms and offline distribution channels."

Sunnya has developed branded product ranges for health, maternal and baby markets in China. Key product ranges include:

- a) NEURIO – Lactoferrin Milk Powder, DHA Algae Oil Softgel, and Probiotics Liquid, primarily selling in maternal and baby stores and local supermarkets.
- b) RAICARE Goat Premium Infant Formula – An application for CFDA approval to continue sales under the new regulatory regime has been lodged.

"The directors of Sunnya also bring extensive expertise in the research and development of new dairy products, infant formulas, and other health products," Mr. Yao said. "We are looking forward to working closely with the personnel of Sunnya to develop more products to offer the market in the near future."



Financials

The annual financial results for Sunnya for the years ended 30 June 2016 and 2017 were as follows:

Year ended 30 June	2016	2017
Revenue	A\$1,941,261	A\$3,581,776
EBIT	A\$243,500	A\$457,216

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

Material terms of share purchase agreement

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

- JAT will acquire 51% of the shares on issue in Sunnya from Yanxia Lu and Yinghan He (the "Vendors").
- Representatives of JAT will have two directors out of the four on the board and has the right to appoint the Chairman. The Chairman has a casting vote.
- The consideration will be \$3 million in cash, 35 million fully paid ordinary shares in JAT plus two potential earnout payments.
- Earnout payment 1 will be made to the Vendors of Sunnya in the event that Raicare Goat Formula, Chinese version, is approved by CFDA for sale in China. The earnout payment is \$1.5 million in cash and \$900,000 in JAT shares. The issue price of the shares will be 70% of VWAP for the previous 20 trading days prior to the issue date. Approval of shareholders will be required for the issue of the share component. If shareholder approval is not obtained, a cash payment of \$900,000 will be made in lieu.
- Earnout payment 2 will be made to the Vendors of Sunnya based on the earnings before interest and tax ("EBIT") of Sunnya in the year ended 30 June 2019 as follows:

EBIT	Remuneration
Less than \$400,000	Nil
More than \$400,000, less than \$900,000	Cash - \$480,000 Shares - \$240,000
More than \$900,000, less than \$1,400,000	Cash - \$600,000 Shares - \$300,000



More than \$1,400,000, less than \$1,900,000	Cash - \$600,000 Shares - \$500,000
More than \$1,900,000, less than \$2,400,000	Cash - \$600,000 Shares - \$650,000
More than \$2,400,000, less than \$2,900,000	Cash - \$600,000 Shares - \$800,000

The earnout payment is not cumulative. For example, if the EBIT is \$2 million, the earnout payment will be \$600,000 cash and \$650,000 in shares.

The issue price of the shares will be 70% of VWAP for the previous 20 trading days prior to the issue date. Approval of shareholders will be required for the issue of the share component. If shareholder approval is not obtained, a cash payment of an equivalent amount will be made in lieu.

- f) There will be no changes to JAT's existing board as a result of the acquisition.

The conditions precedent to the share purchase agreement are as follows:

- a) all approvals required by the ASX, ASIC and JAT shareholders for the issue of 35 million fully paid ordinary shares at Completion;
- b) the two current directors of Sunnya (who are also the Vendors) enter into employment agreements. These agreements have a term of three years and have otherwise the standard terms for the size of Sunnya and the industry. The remuneration payable under the both agreements are \$150,000 per annum plus superannuation.

Funding

JAT has sufficient funds on hand to pay \$1.5 million to the Vendors on completion.

JAT may be required to provide additional working capital to Sunnya post acquisition to fund the expansion of its trading activities. JAT is in the process of obtaining approval of JAT shareholders to issue shares to raise approximately \$5.8 million. The meeting to approve those share issues is scheduled for 18 July 2018. The Directors believe that JAT will have sufficient funds to provide working capital to Sunnya provided the share issues subject to the general meeting on 18 July 2018 are completed.



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

Effect on share capital

The effect on share capital is as follows:

	Number of shares	%
Number of fully paid ordinary shares on issue if all resolutions at the General Meeting on 18 July 2018 are passed and all shares are issued	688,783,848	95.16
Shares to be issued to Vendors	35,000,000	4.84
Completion	723,783,848	100.00

General Meeting

A meeting of shareholders to approve the issue of shares to the Vendors of Sunnya is expected to be held on in late July 2018.

Anthony Crimmins
Executive Chairman