

## ASX ANNOUNCEMENT

20 January 2022

# December 2021 Quarterly Report

## Highlights

- Total gross revenue for the December 2021 quarter was \$9.6 million (unaudited), up from the September 2021 quarter of \$6.4 million (unaudited).
- The growth in revenue represents a strong rebound in China sales indicating that the obstacles caused by Covid-19 and the challenging macro political environment are being overcome.
- Operating cash inflow for the period was \$331,000.
- Sales of V-meat products in China commenced during the quarter.
- The Shanghai Boutique opened in December 2021.
- Sales of JAT branded products into Australian pharmacy chains are increasing through the quarter and sales are expected to continue to grow as the local lockdown restriction eased.
- Sales of BabyCare products commenced in Australia.
- JAT launched its new E-commerce platform, [Jatlife.com.au](http://Jatlife.com.au).
- RMIT commenced scientific testing on JAT's immune support formulas to assess anti Covid-19 (Delta variant) potential.

Health and wellness consumer goods innovator and manufacturer Jatcorp Limited (ASX: JAT) is pleased to provide its quarterly report for the period ended 31 December 2021.

Throughout the quarter, JAT continued with its strategy of:

1. expanding its China-located business;
2. developing its own proprietary products;
3. expanding and improving its ANMA manufacturing facility;
4. mitigating risk by manufacturing products outside Australia;
5. increasing sales in the Australian market leveraging its in-house brands and imported products; and
6. expanding export countries including South Korea, Japan and Thailand to reduce reliance on the China market.

## Trading Highlights

1. In December 2021, JAT subsidiary ANMA, entered into an agreement with Oceania Supply Chain Management Pty Ltd (**Oceania**) to manufacture and supply a very significant volume of dairy powder products. The Agreement includes a binding minimum order in the first 12 months of 1.5 million units. The revenue to be derived by ANMA over the 12-month period is expected to exceed \$10 million. The first batch for Oceania has been manufactured and shipped.
2. Sales of the products from prestigious Chinese brand, BabyCare, commenced in Australia during the quarter. The products are now on sale through the major channels and pharmacy stores.

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3. JAT's plant-based meats (**Vmeat**) products commenced sales at selected catering and restaurant groups in China.
4. Online sales of JAT's in-house brands in China surged subsequent to the opening of the Shanghai Boutique.
5. JAT commenced online sales through its e-commerce platform, JATLIFE.

### **ANMA infant formula export license-Chinese registration**

In December 2021, ANMA had its infant milk formula export license for China through general trading channels renewed for a further four years to 31 December 2025.

It is a regulatory requirement that infant milk formula manufacturers who aim to export to China through general trading channels be approved by China's General Administration of Customs (**GACC**). The GACC approval ensures that ANMA will continue to be able to grow its infant milk formula sales in China through general trading channels once the specific product is registered with SMAR.

### **Establishment of e-commerce platform, JATLIFE**

During the quarter, JAT's e-commerce platform, JATLIFE, went live. The platform is accepting orders for a wide range of products provided by suppliers from both Australia and overseas. The increasing range of JAT's in-house brands will also be made available on JATLIFE.

The platform can be found at <https://www.jatlifecom.au/>

JAT created JATLIFE in order to leverage its network of overseas business associates to provide a large range of products. JAT is continuing to expand the range of products on offer by engaging with Australian and overseas suppliers to make their products available through JATLIFE. As the Covid-19 pandemic slowed economic activity, there has been a surge in e-commerce and digital transactions. This digital transformation was clear evidence that JAT could benefit from launching its own e-commerce platform to provide its customers better access to buy and sell products domestically as well as from overseas.

There are a number of business models such as "market place" and "drop shipping" used in establishing business-to-consumer (**B2C**) online sales platforms. These B2C models have varying revenue streams, infrastructure costs and IT requirements. The JATLIFE platform combines a number of features of the B2C platforms to generate the highest margin possible with the lowest cost base and capital requirements. JAT has entered into supplier arrangements which allows the JATLIFE platform to generate significant buy/sell margins for JAT.

### **RMIT scientific testing – JAT Products (Jinvigorate Platinum and Moroka Platinum)**

RMIT commenced scientific testing of JAT's Immune Support formulas to assess anti Covid-19 (Delta variant) potential, including clinical trials on these products on human subjects. The clinical trials received funding support from the Federal Government and will be a significant move to test JAT products against SARS- Cov-2 (COVID-19) and its mutated variants including Omicron.

## Opening of Shanghai Boutique

After an almost two-year interruption, JAT's Shanghai Boutique opened in December 2021. The directors believe this is an audacious initiative which few other Australian dairy and food companies have been able to achieve. Further information about the Boutique together with photos can be found on JAT's website.

The visual branding strategy behind opening the Boutique is to establish and promote JAT's products in the Chinese market. The Boutique has attracted many local distributors to visit the site who have since placed orders for the displayed products.

Since opening the Boutique, the online sales of a number of products displayed have increased significantly. Specifically, sales of more than 14,000 bottles of Hopefern Avocado and Walnut Oils and 3,000 bags of Lone Milk Powder have been achieved.

## Jat Estates

During the quarter, JAT subsidiary JAT Estates Pty Limited (**Jat Estates**) commenced a new business of marketing residential real estate developments. Jat Estates is owned 85% by JAT and 15% by an executive director.

Jat Estates was formed as a result of approaches made to it by developers who believed that the JAT network could be leveraged to assist in the initial marketing of individual developments and the secondary sale of properties within those developments. JAT has committed to funding the operations to a level of \$10,000 per month. It is expected that the business will reach breakeven during calendar 2022 at which time JAT will not be required to fund the business any further. The funding being provided by JAT is sufficient to meet the salary costs of the executive director, rent and overheads. There are currently two other individuals who are contracted representatives of the business and are paid on a commission-only basis.

Further details of the business are as follows:

- Jat Estates was incorporated 3 May 2021.
- Ms Rong Ma is an executive director and holds 15% of the shares in Jat Estates.
- Jat Estates has been mandated in relation to developments in suburban Melbourne and Sydney. Further details can be found on the Jat Estates website at <https://www.jatestates.com.au/>
- The current personnel of an executive director and two contracted representatives is sufficient for the current business level and no further personnel are expected to be engaged in the next 12 months.

## Business outlook

The growth in revenue in the December 2021 quarter, following a strong increase in the September 2021 quarter, indicates that the obstacles caused by Covid-19 and the challenging macro political environment are being overcome.

In the last year, JAT has put in place the strategies set out above, dramatically improved the quality and capacity of the ANMA factory and developed a number of new JAT products which are now positioned in the market. The directors believe that these strategies together with the improved international environment will drive a significant increase in revenue for the 2022 year.

The directors expect an increase in revenue to be driven by:

- Additional contracts have been obtained by ANMA resulting in it having a very strong order book. These contracts have been supported by deposits being paid by customers prior to delivery.
- At ANMA, Oceania has increased its annual commitment from 1.5m to 2m units from January 2022.
- New products developed by JAT have been welcomed by both local pharmacy chains and overseas distributors. The Company is confident the sale of those products will generate significant revenue.
- Sales are rebounding in China and new sales are being made into other countries including South Korea, Japan and Thailand.
- Sales in Australia of BabyCare products have commenced.
- JAT will expand its plant-based product range from meats only to plant-based snacks and drinks. The new range of products have been developed by JAT and are expected to be released into the local and overseas markets during the March 2022 quarter.

### Expenditure on business activities

A summary of the expenditure incurred on JAT's business activities for the quarter follows:

Expenditure Category	Amount \$
Expenditure on inventory and manufacturing	8,955,000
Advertising and marketing costs	1,232,000
Leasing	107,000
Employees	777,000
Interest	306,000
Administration and corporate	644,000

As disclosed in Item 2.1(b) of the attached appendix 4C, an amount of \$670,000 was paid as a further instalment of the ANMA purchase consideration (see note 13 of the Notes to Financial Statements for the year ended 30 June 2021).

### Payments to related parties of the entity and their associates

The amount included in section 6.1 of the Appendix 4C is the payment of fees to directors.

This announcement has been authorised for release to the ASX by Managing Director, Wilton Yao.

#### For more information, please contact:

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#### About Jatcorp Limited

Jatcorp Ltd (ASX: JAT) is a China-Australia trade specialist. The Company develops and markets a portfolio of in-house branded FMCGs, focusing on growth opportunities in dairy products.

JAT has positioned itself as a major player in the flourishing Australian consumer goods export industry, offering Chinese retail presence, online sales to Chinese consumers through offshore platforms, and high-volume wholesaling to daigou groups and other distribution channels.

JAT's extensive network of Chinese business affiliations is a substantial source of opportunities, both for the company and for its Australian business partners.

## Appendix 4C

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

**Name of entity**

Jatcorp Limited

**ABN**

31 122 826 242

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

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	12,853	19,893
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,955)	(14,280)
(c) advertising and marketing	(1,232)	(2,169)
(d) leased assets	(107)	(204)
(e) staff costs	(777)	(1,500)
(f) administration and corporate costs	(644)	(1,490)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	(1)	2
1.5 Interest and other costs of finance paid	(306)	(620)
1.6 Income taxes paid	(632)	(651)
1.7 Government grants and tax incentives	132	223
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>331</b>	<b>(796)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(670)	(670)
(c) property, plant and equipment	(88)	(209)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	3
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received from 51% owned subsidiary – Sunnya (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(758)</b>	<b>(876)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,161
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(183)
3.5 Proceeds from borrowings	100	550
3.6 Repayment of borrowings	(28)	(191)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid by 51% owned subsidiary - Sunnya	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>72</b>	<b>3,337</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	8,493	6,473
4.2 Net cash from / (used in) operating activities (item 1.9 above)	331	(796)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(758)	(876)

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	72	3,337
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,138</b>	<b>8,138</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,138	8,493
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,138</b>	<b>8,493</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	81
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p>		

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7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	5,000	5,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	5,000	5,000
7.5 <b>Unused financing facilities available at quarter end</b>		Nil
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
1. Lender: Topwei Two Pty Ltd. Amount: \$5 million. Term: Repayment date was before 3 September 2021 on initial loan agreement, the loan has been extended from 3 September 2021 to 31 March 2021. Interest rate: 20% per annum. Repayable at any time provided 60 days' notice to the lender is made. Security: unsecured.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	331
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,138
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	8,138
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

**Compliance statement**

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

Date: .....20/01/2022.....

Authorised by: .....Wilton Yao.....  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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