

## GOLD BRICK CAPITAL PTY LTD (GOLD BRICK)

### MEMBER'S STATEMENT PURSUANT TO SECTION 249P CORPORATIONS ACT 2001 (CTH)

As at 20 April 2022, Gold Brick Capital Pty Ltd ACN 648 458 271 (**Gold Brick**) beneficially owns 18.85% of Jatcorp Limited ACN 122 826 242 (**JAT** or **Company**).

Gold Brick gives the following statement in connection with the general meeting of JAT to be convened pursuant to section 249D of the *Corporations Act 2001* by no later than 2 months after this request is given to the Company.

#### 1. **Board composition is sub-optimal:**

There are a number of weaknesses in the board structure, composition, governance and compliance with the ASX, Corporate Governance Principles and Recommendations:

- a. The Company does not have proper committees or policies expected of a listed company.
- b. The Board consists of a managing director, a non-executive director and a "non-executive chairman" who is also the secretary, which composition does not lend itself to proper accountability.
- c. There appears to be no reasonable and effective governance or incentive mechanisms. The remuneration packages offered appear disproportionately high having regard to the Company's operations outcomes.

#### 2. **Financials are not strong:**

A number of metrics derived from a RiskGauge Report obtained through S&P Global Market Intelligence do not paint a favourable light of the financial performance / situation of the Company (even accounting for the impact of COVID-19), as follows:

- a. The applicable interest rates across three recent loans to the Company varied between 13% and 20%, which were significantly costly loans to carry on the balance sheet.
- b. The Company's debt-to-equity ratio has increased in the 6-month period from 0.81 to 0.91, suggesting that the Company had become more leveraged. The industry average as at 31 March 2022 was 0.75, indicating that the Company is more reliant on debt to fund its operations than its industry peers.
- c. The negative operating and investing cashflows incurred by the Company in HY22 indicate that the business is in a working capital deficit and is reliant on debt and new equity to meet its working capital requirements.
- d. Upon removing inventory from the quick ratio analysis, the Company's quick ratio displays a deficiency in current asset levels, at 0.74. This indicates that the level of its liquid asset position may not be sufficient to cover its current liabilities at a particular

point in time. This potential solvency issue is compounded by its cash ratio being low, at 0.61 at HY22. When compared to the industry average of 1.30 for both the current and quick ratio, it appears that the Company may be facing liquidity issues in comparison to its peers.

- e. Overall the Company's net asset position deteriorated during HY22 which appears to be driven by the Company's ongoing requirement for working capital by way of debt. The Company's debt-to-equity ratio at HY22 is high in comparison to its industry peers which may indicate why the Company relies on a higher cost of capital and in turn, may have difficulties in obtaining alternative funding for capital requirements.

**3. Operational issues and lost business opportunities:**

- a. The existing Board lacks proper experience, and does not have clear strategies or direction for the Company, having committed significant expenditure and focus to new channels and platforms that have not been profitable. Even where the Company's main business operation was not improving, it still invested in areas such as artificial meat, new energy and real estate which are unlikely to be viable and irrelevant to the Company's main business (product manufacturing through its Melbourne facility) which has the greatest potential for growth. This is the likely cause of the Company's on-going cash flow issues.
- b. The Company should have focused on its main business operations, used the supply chain advantage of its current brand factories, increased the capacity of its factories for new product lines R&D, and prioritised growing its sub-brands. The Company should also expand its business in cross-border e-commerce in China and emerging markets (e.g. Southeast Asian channels). These strategies would have facilitated a rapid increase in revenues and profits.

**4. Plans for the Company upon board reconstitution:**

- a. **Working Capital.** The new Board will ensure an improved company debt structure and secure cheaper working capital, more favourable facilities than current debts or the proposed facility from SBC Global Investment Fund through the major shareholder's support and connections with international financiers.
- b. **Think and Perform Bigger.** The new Board will target being a strong sustainable player in the dairy food market and maximise returns to shareholders by implementing the following strategies:
  - a. streamlining operations, brand-building and improving productivity;
  - b. expanding international market reach through deep industry experience and connections in Asia pacific region;
  - c. creating a profitable business and lifting the business performance.
- c. **Leadership and Governance.** The new Board will rationalise the Company's corporate governance and prioritise sound financial control to facilitate higher growth and

beneficial M&A strategies. It is intended that the board will ultimately be constituted with five competent and experienced directors.

## 5. Biographies of the proposed Directors

### **WANG, Zhan (Jack):**

Mr Wang has ten years of experience in cross-border e-commerce and eight years' experience in retail of maternity and infant products. Mr Wang's business footprint extends across China, Korea, Japan, and Southeast Asia, and he has rich experience in market development and sales.

Mr Wang is currently the Managing Director of Pacific Healthy International Pty Ltd, and Pacific Healthy ANZ Pty Ltd, the leading distributors in the industries of dairy products, vitamin and cosmetics focusing on the Australia and Asian markets. Mr Wang is the co-founder of HK Huibeijia Brand Manage Co., Ltd, which was established in 2014 and has more than 500 stores in mainland China. Mr Wang is also the sole director of Gold Brick Capital Pty Ltd.

### **SHEN, Peng (Dennis):**

Mr Shen has over 20 years of experience in financial management and business development of large companies, and holds a Masters of Finance degree from University of Melbourne. Mr Shen was Chief Financial Officer of Yancoal Australia (ASX 200), where he gained leadership experience and know-how of M&A, financial management, corporate governance and investor relations in Australia. Mr Shen held the offices of Director and Company Secretary at China Shenhua Energy listed on HKSE and SHSE, one of the world's largest and leading integrated energy companies. Prior to his career with China Shenhua, he held senior consultant position at Deloitte Touche Tohmatsu.

Mr Shen currently serves on the board of directors of an international public company, providing valuable insight on governance and M&A strategy.