

QUARTERLY REPORT (Q4 FY2023)

28 July 2023

Highlights

- **Jatcorp achieved a quarterly revenue of approximately \$29.5m(unaudited) and net loss was approximately \$1.86m (unaudited) for the June quarter.**
- **Total revenue** for the June quarter was \$29.5m (unaudited), compared with \$11.3m in the March quarter, a 161% increase (\$9.86m in prior corresponding period (pcp), an increase of 199%), due to high performance for international trading and product sales overseas.
- **Gross profit** for the June quarter was \$3.8m (unaudited), compared with \$4.05m in the March quarter, a 6.2% decrease (\$1.7m in pcp, an increase of 123.5%).
- **Net loss** for the June quarter was \$1.86m (unaudited), due to write off of inventory, higher marketing expense for Moroka's promotion and professional fees for legal proceedings.
- **Net cash used in operating activities** for the June quarter was \$690K (unaudited).

Comments from MD Jack Wang

"Jatcorp has performed well in the June quarter with a 199% increase of revenue QoQ in line with the strategy of promotion of new branded product, improvement of production efficiency and setting up good foundations for the current fiscal year."

"The legal proceeding against Sunnya's prior directors continues, and the final hearing is expected in late September."

"The general meeting approved the appointment of a new auditor for JAT. RSM Australia is the sixth largest audit firm in the country and will help with our improvement in corporate governance and compliance."

"Looking forward to FY2024, we will work on a new marketing strategy targeting China's middle class and new OEM clients, and implement digital transformation. We will focus on shareholder value creation and plan to attain a higher growth of the business."

Trading highlights

- A new warehouse management system has been successfully implemented in ANMA factory. The system greatly improved the efficiency and accuracy of inventory control and production planning. ANMA has ordered new production line machines to improve packaging and inspection processes.
- On 1 June, Jatcorp successfully attended the Vietnam Baby and Mother exhibition in Ho Chi Minh City. The company attracted good interests for Neurio products from both distributors and end consumers. JAT has also established a distribution channel to the Vietnam market. There are three SKU's under import registration in Vietnam. The first order is expected to be realised soon.



- On 28 June, Jatcorp has launched Moroka branded lactoferrin on the 23rd Shanghai International Children Baby and Maternity Products Industry Expo. Moroka products have been accepted by distributors and under promotion stage.



- In October 2022, Jatcorp signed a new supply agreement with BTNature to manufacture up to approximately \$28m of milk powder products over the next 12 months. For the June quarter, JAT has received and completed approximately \$7.7m of production order from BTNature. Over 65% of the supply agreement with BTNature is fulfilled. JAT is confident of completing the remaining orders as planned.
- In the June quarter, Jatcorp has introduced five new OEM clients to ANMA. The long-term OEM contracts with two listed companies are under negotiation.

- Jatcorp has produced and delivered the first order (over 13,000 units) of the diabetic supplement powder and Immune supplement powder for a Taiwan client. The Taiwan market for JAT is open now. More container orders are expected in the next quarter.
- In the June quarter, Jatcorp's new subsidiary in Hong Kong has expanded rapidly the distribution network for trading the popular brand products. The Moroka brand flagship store on Tmall is also established.
- In the June quarter, Jatcorp updated the market concerning legal proceedings against certain former directors and their affiliates of its subsidiary Sunnya Pty Ltd. In May and June, the Supreme Court of NSW made new orders against the defendants, and restrained them from taking steps to distribute, manufacture, sell, market or export any "Neurio" branded products and other related branded products. The final hearing is expected in late September 2023.

Business outlook for FY2024

- Although the recovery of China's economy for the first half of 2023 was moderate, we anticipate that the depth of domestic consumption will continue to support the end demand. New growth drivers of China's economy are expected to chart the new course over the next decade, including middle-income spending, digital transition wave, transitioning of energy sector and new infrastructure plan.
- We believe China's policymakers will emphasize strategically important areas and roll out effective stimulus measures to inspire domestic spending, and support for the private sector to raise investment and create jobs. We retain a good level of confidence on China's economy in FY2024 and an optimistic view on the demand for our products.
- In FY2024, we will work on a new marketing strategy targeting China's middle class and new OEM clients and implement digital transformation. We will focus on shareholder value creation and plan to attain a higher business growth.

Expenditure on business activities

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

Cash Expenditure Category	Q4 FY2023	Q3 FY2023
	AUD'000	AUD'000
Expenditure on inventory and manufacturing*	36,229	8,226
Advertising and marketing costs**	2,230	666
Leasing	124	97
Employees	1,038	979
Interest	81	75
Administration and corporate	1,530	1,525

Note:

*The increase of expenditure on inventory and manufacturing in Q4 was mainly because of additional purchase of raw materials and other brand products for trading purpose.

** The increase of advertising and marketing costs in Q4 was mainly because of promotion of Moroka branded products.

Related party transactions

The payments made to related parties and their associates totalled \$367K for the quarter. The payments relating to:

- Directors' remuneration of around \$192K; and
- marketing fee to MD related business entity of around \$175K in line with the standard marketing policy.

This announcement has been authorised for release to the ASX by the Jatcorp Board of Directors.

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About Jatcorp Limited

Jatcorp (ASX: JAT), at the forefront of innovative technology servicing the world's largest retail markets. With a track record of successful product development and distinguished technology, JAT is a leading producer of supplementary food products, plant-based products and dairy food products.

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")**

30 June 2023

Consolidated statement of cash flows

		Current quarter	Year to date (12months)
		\$A'000	\$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers	40,702	68,442
	-Receipts from ordinarily sales	30,660	57,386
	-Receipts from customer deposit	10,042	11,056
1.2	Payments for		
	(a) research and development	(12)	(12)
	(b) product manufacturing and operating costs	(36,229)	(57,115)
	(c) advertising and marketing	(2,230)	(4,320)
	(d) leased assets	(124)	(638)
	(e) staff costs	(1,038)	(4,006)
	(f) administration and corporate costs	(1,530)	(4,871)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	20
1.5	Interest and other costs of finance paid	(81)	(268)
1.6	Income taxes paid	(154)	(10)
1.7	Government grants and tax incentives	4	140
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(690)	(2,638)
2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	(1,847)
	(c) property, plant and equipment	(255)	(532)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	(143)
	(b) businesses	-	-
	(c) property, plant and equipment	-	116

(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	163	162
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(92)	(2,244)

3 Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,282
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(4)	(36)
3.5 Proceeds from borrowings	-	1,111
3.6 Repayment of borrowings	3	(224)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.1 Net cash from / (used in) financing activities	(1)	5,133

4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,894	3,860
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(690)	(2,638)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(92)	(2,244)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(1)	5,133
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of quarter	4,111	4,111

5 Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1 Bank balances	4,111	4,894
5.2 Call deposits	-	
5.3 Bank overdrafts	-	
5.4 Other (provide details)	-	
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,111	4,894

6 Payments to related parties of the entity and their associates	Current quarter
	\$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	367
6.2 Aggregate amount of payments to related parties and their associates included in item 2	

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

7 Financing facilities available

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	
-	
-	
-	

7.5 Unused financing facilities available at quarter end

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.

8 Estimated cash available for future operating activities

- 8.1 Net cash from / (used in) operating activities (Item 1.9)
- 8.2 Cash and cash equivalents at quarter end (Item 4.6)
- 8.3 Unused finance facilities available at quarter end (Item 7.5)
- 8.4 Total available funding (Item 8.2 + Item 8.3)
- 8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

\$A'000
(690)
4,111
-
4,111
6

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.

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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:

- 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:

- 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:

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: 28 July 2023

Authorised by: the Board

(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.