

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 and plant-based products.



18 April 2024

## **ASX Announcement**

### **Update concerning legal proceedings**

Jatcorp Limited (JAT) provides a detailed background and update as to the progress of the legal proceedings brought by itself and its subsidiary Sunnya Pty Ltd (Sunnya) against Sunnya's former directors Mr Yinghan He and his wife Ms Yanxia Lu (former Sunnya directors) as well as their associated parties (Sunnya Proceedings).

Sunnya is the owner and controller of the health foods and lactoferrin milk powder brand "Neurio" that has achieved very significant sales results since 2020. Jatcorp acquired a controlling stake in Sunnya in about mid 2018.

Since the installation of the current Jatcorp board in September 2022, a review of Sunnya's operation and performance was conducted and revealed that whilst the subsidiary was performing well in terms of sales, growth and brand building in the China market, the profitability and returns to shareholders did not correspond to such performance. At the time the former directors were in effective control of Sunnya and did not assist the Jatcorp board in its endeavours to better understand Sunnya and regulate its affairs.

On 31 October 2022, Jatcorp appointed new directors to the board of Sunnya.

On about 3 November 2022, Sunnya and Jatcorp commenced urgent proceedings against the former directors and their associated company Guangzhou Aotea Biological Technology Pte Ltd (GABT a Chinese company) for the unlawful transfer of Sunnya's "Neurio" registered trademarks in Australia and New Zealand. The Supreme Court of NSW later made urgent orders requiring the re-transfer of Sunnya's trademarks in its favour and made further injunctions against those defendants for any future attempt to interfere with Sunnya's sales channels, customers and suppliers.

In December 2022, and after further investigations were completed, Sunnya made a compensation claim against the former directors, GABT and a further associated company Guangzhou Niurui Trading Co Ltd (Niurui) for very significant under-priced dealings entered into during FY2020 to FY2023 where it is alleged that the former directors, in breach of their fiduciary duties to Sunnya, had caused Sunnya to sell large quantities of stock to GABT/Niurui at prices that were less than 50% of the prices it sold to external or un-related customers. Sunnya's internal assessment of the damage caused by the under-pricing is in excess of \$16 million AUD. An expert forensic accounting team from KrodaMentha has been engaged by Sunnya to make independent assessment of the potential loss and their work continues.

The investigations has also revealed that the former directors had permitted GABT to register Chinese trademark for the modern form "Neurio" brand which resulted in continuous problems in brand ownership, recognition and awareness in China. Sunnya has alleged in its case that this conduct by the former directors was in breach of their duties to Sunnya.

Notwithstanding the imposition of the interim injunctions by the Court, throughout December 2022 to February 2023, Sunnya continued to detect unauthorised sales of Neurio products in

China which are related to the former directors as well as their associated parties in China.

Also in February 2023, it came to Sunnya and Jatcorp's attention that GABT and Niurui may have started to sell products in China using the brand "Guamis" which has historically been a sub-brand of Neurio, without the consent or authority of Sunnya. It was discovered that the Guamis brand, whilst funded by Sunnya, had its Australian and New Zealand trademarks registered in a company called Sunlife Health Pty Ltd (Sunlife) which was in turn owned and controlled by the daughter of the former directors (Ms He). It also appeared that the New Zealand based manufacturer Supermega Markets Ltd and its subsidiary Megadairy Ltd (Supermega) were cooperating with the former directors to make such sales. As a result, Sunnya took swift legal action and in early March 2023 obtained interim injunctions preventing those parties from further trading using the Guamis brand.

Throughout March 2023, the Supreme Court of NSW made a number of asset preservation orders (or freezing orders) against the former directors and their family trust entity (HLW Investment Pty Ltd or HLW), restraining them from further dissipating or dealing with their assets. These orders have also now been extended to Ms He. Further and comprehensive orders appointing Receivers and Managers to the former directors' family trust entity is currently being applied for from the Court.

In late March 2023, Sunnya took legal action in New Zealand and obtained orders from the High Court of New Zealand which restrained Supermega from further sale of Neurio products to the other defendants. Sunnya has also notified New Zealand Customs of its brand ownership and has requested export monitoring against any further infringing conduct.

In early April 2023, Sunnya detected that the former directors' related parties GABT, Niurui and Sunlife appear to be involved in an attempt to continue selling Neurio products in China and by-passing Court orders by using a newly registered brand of 'NRIO' for the purposes of manufacturing and exporting products in sachets from Supermega and then re-labelling in China by putting the sachets into NRIO/Neurio branded cannisters. Sunnya considers such conduct as an attempt to circumvent Court orders and action is being taken to address this issue.

The Sunnya Proceedings continue and further updates will be provided in due course.

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This announcement authorised by JAT's Board.

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**About Jatcorp Limited**

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