



JAT is a specialist in Australia-China trade, focused on growth within the Australian health and wellness consumer goods export industry.



QUARTERLY REPORT (Q2 FY2023)

30 January 2023

Highlights

- **JAT achieved a quarterly net profit of about \$160K (unaudited) for the first time in three years and EBITDA was about \$424K (unaudited) for the December quarter.**
- **Total revenue** for December quarter was \$8.59m (unaudited), compared with \$7.31m in the September quarter 17.4% increase (\$9.61m in prior corresponding period, a decrease of 10.6%).
- **Gross profit** for December quarter was \$3.32m (unaudited), compared with \$2.31m in the September quarter 43.9% increase (\$2.57m in pcp, an increase of 29.3%).
- The December quarter records **Net cash from operating activities** was \$197K (unaudited).
- AGM was held on 25 November, 2022 and all resolutions have passed including the adoption of remuneration report for FY2022.

Comments from MD Jack Wang

“JAT recorded a strong quarter and improved sales margin for Q2 FY2023, given the new Board of JAT was appointed on 1 September 2022.”

“The new senior management has worked hard on recovering sales, brand building as well as reduced the negative impacts from historical issues.”

“The new board will continue to deliver the value to our shareholders with continuous efforts to improve our operating efficiencies and market share.”

“We expect momentum to continue in 2H 2020FY as China has lifted its Zero-Covid policy and consumers are building more confidence in our products.”



Trading highlights

- ANMA's factory has improved production capacity by around 17% in the December quarter as the management has invested more into accurate production planning and scheduling. The factory has added more work shifts and improved equipment effectiveness. The new management is looking for the opportunity to further improve the production by adopting lean manufacturing practices, invest in new machinery or upgrading the existing equipment and potentially outsource production to gradually scale up the operations.
- In October 2022, JAT signed a new supply agreement with BTNature to manufacture up to approximately \$28m of milk powder products over the next 12 months. For the December quarter, JAT has received and completed approximately \$3.5m of production order from BTNature, which is partially related to the new agreement. Management expects that BTNature's order will increase in the next six months.
- New sales planning in Greater China is under review by management, including more sales in Hong Kong and through cross border online channels. Also, as a part of the extended brand building strategies, a new promotional budget for 2H FY2023 was agreed. Management believes that the new marketing campaign will improve our brand awareness and penetration in the target market.
- The board of directors has continued to review historical performance and taken steps to solve legacy issues left by the previous Board in the December quarter.
- In November 2022, JAT has commenced legal proceedings against certain former directors and their affiliates of its subsidiary Sunnya Pty Ltd. The principal points of contention include rights over certain trademarks and whether those directors have acted in conflict in diverting company profits for personal gain. Sunnya has obtained a number of injunction orders from the Court and will shortly be participating in a mediation with the counter parties. JAT and Sunnya intend to use that opportunity to explore potential commercial resolutions to the dispute to avoid the cost and uncertainty of the court action, but remains confident that should the proceedings continue, there are good prospects of positive findings in their favour.

Business outlook for 2H FY2023

- Since China has abandoned its stringent zero-Covid policy in November 2022, the demand for healthy food and nutrients has surged. Jatcorp is seeing its sales recovered and expects improved market performance of its popular brands like Neurio in China.
- Jatcorp has also prepared for exploration of other market opportunities in the Asia Pacific region in FY2023. ANMA has improved productivity to meet the demand from our customers including BTNature. Management is optimistic of bringing ANMA operation to sustainable for the rest of FY2023.

Expenditure on business activities

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

Expenditure Category	Q2 FY2023	Q1 FY2023
	AUD'000	AUD'000
Expenditure on inventory and manufacturing	2,301	9,671
Advertising and marketing costs	430	1155
Leasing	300	117
Employees	966	1,096
Interest	62	50
Administration and corporate	442	482

Other information

- AGM approved the issue and allotment of 200,000,000 listed options to Everblu Capital Pty Limited which occurred on 29 November 2022. No cash raised from this issuance.

Related party transactions

The payments made to related parties and their associates totalled \$178K for the quarter. The payments relate to Directors' remuneration and consulting fees.

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

entity

Jatcorp Limited		
ABN	Quarter ended ("current quarter")	
31 122 826 242	31 December 2022	
Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	4,677	15,263
-Receipts from ordinary sales	6,473	14,529
-Receipts from customer deposit	(1,796)	734
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,301)	(11,972)
(c) advertising and marketing	(430)	(1,585)
(d) leased assets	(300)	(417)
(e) staff costs	(966)	(2,062)
(f) administration and corporate costs	(442)	(924)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	10
1.5 Interest and other costs of finance paid	(62)	(112)
1.6 Income taxes paid	(78)	245
1.7 Government grants and tax incentives	92	134
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	197	(1,420)
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	(1,847)
(c) property, plant and equipment	(8)	(8)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	137	137
(d) investments	-	-
(e) intellectual property	-	-

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	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(1)	(1)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	128	(1,719)

Consolidated statement of cash flows	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
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	-	(32)
3.5 Proceeds from borrowings	1,100	1,111
3.6 Repayment of borrowings	(62)	(221)
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	1,038	5,140

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	4,498	3,860
4.2 Net cash from / (used in) operating activities (item 1.9 above)	197	(1,420)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	128	(1,719)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,038	5,140
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of quarter	5,861	5,861

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5 Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	5,861	4,498
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)	5,861	4,498

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	178
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

Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

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	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	197
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,861
8.3 Unused finance facilities available at quarter end (Item 7.5)	-

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8.4 Total available funding (Item 8.2 + Item 8.3)	5,861
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	"N/A"

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:

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:

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.

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: 30 January 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.

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- 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.