

ASX ANNOUNCEMENT

5 October 2020

JAT delivers new products and distribution partnership

Highlights

- **Favourable recent newsflow gives JAT a positive outlook for sales in China after JAT's sales and the broader Chinese economy have been impacted by the COVID-19 pandemic**
- **Agreement signed with HongKong Suning Appliance Resourcing Ltd (Suning) for non-exclusive distribution of Australian products in China including JAT's in-house brands, with first purchase order received for AU\$127k**
- **Launch of two new wellness products responding to increasing demand for nutritional and healthy food ingredients – Hopefern Avocado Oil and Walnut Oil**

Health and wellness consumer goods developer and manufacturer, Jatcorp Limited (ASX: JAT, "the Company") is pleased to provide an update on its development of new products, expansion in its operations and signing of a new distribution agreement.

Operational Update

As reported in the broad media and by other ASX listed companies involved in the sale and distribution of milk formula to the Chinese market, the current COVID-19 lockdown has reduced the sales revenue in the sector. JAT is no different, having noted that many daigou stores have closed and the flow of Chinese students and tourists in Australia has paused.

Prior to COVID-19 lockdown, JAT commenced the process of reducing its reliance on daigou stores and Chinese tourists by establishing direct links with large Chinese state-owned companies and large private enterprises so as to create stable and mutually beneficial supply chains. JAT is continuing discussions with additional potential partners of this type with a view to cooperating to develop revenue streams together in China.

This strategy has been assisted by JAT's newly appointed non-executive director, Mr Sun Xin, who is providing significant assistance in development of these links from his base in China. Mr Sun is helping JAT to establish more business connections with Chinese companies. Mr Sun providing this assistance pursuant to his role as a non-executive director and neither Mr Sun nor his related company is being paid any commission or other amounts for representing JAT in China.

According the China's National Bureau of Statistics, from January to July 2020, the total retail sales of consumer goods in China was 20,446 billion yuan, down 9.9% year on year. Within this data, retail sales of consumer goods excluding automobiles totalled 18,489 billion yuan, down 9.7% over the same period. National Retail sales in China declined 7 consecutive months from January to July 2020.

JAT's sales from January 2020 to July 2020 declined 25% from the prior year's corresponding period decreasing from \$40.2 million to \$30.1 million. In August 2020 JAT sales decreased 72% to \$1.2 million from \$4.2 million in the prior corresponding period in August 2019.

Although JAT's sales revenue has been negatively affected by these challenging macro conditions, the Company views this setback as temporary in light of favourable recent newsflow:

- Chinese consumers stepped up their spending in August, in a sign of further economic recovery from the shock of the coronavirus pandemic. National Chinese retail sales rose 0.5% in August from a year earlier, the first positive report for the year to date, according to China's National Bureau of Statistics.
- The outlook for demand from China for JAT's products is strong, as noted by multiple Chinese FMCG companies and distributors having approached JAT to cooperate and distribute the Company's products.

As set out below, JAT is in the process of launching additional healthy and nutritional product lines to the market, including some highly specialised and unique products such as diabetic formula (see ASX announcement 22 September 2020). At the same time, JAT has commenced low-cost expansion into attractive new markets including Vietnam and Taiwan.

Looking ahead, in November JAT will promote the Company's products at the third annual China International Import Expo (CIIE) in Shanghai. This has been a successful business development exercise for JAT over the past two years.

Distribution agreement with Suning

JAT is pleased to advise that the Company has received its first purchase order following its signing of a distribution agreement with HongKong Suning Appliance Resourcing Ltd (Suning), based in Hong Kong on 30 September 2020.

The agreement will see Suning distribute Australian products including JAT's in-house brands in mainland China on a non-exclusive basis. Suning is part of the Suning Holdings Group, which is one of the largest civilian-run enterprises in mainland China, and is primarily involved in the trading of FMCG products.

This agreement aligns with JAT's strategic plan for China focusing on dealing with large state-owned or private companies, such as Suning. JAT sees dealing with larger enterprise counterparties as providing the Company with a much more stable and reliable distribution platform, helping to mitigate any potential changes in the Chinese trading environment.

The current agreement has no conditions precedent and runs until 31 December 2020, with the parties planning based on initial success to sign a new annual agreement in January 2021. Under the terms of the agreement, Suning will place orders for products which JAT will deliver to China, Suning will pay the Chinese customs and other related charges, and Suning will make payment to JAT within 3 days of each batch of products arriving at their warehouse.

Suning has made its first purchase order with an order value of AU\$127,000.

Two new wellness products launched: Hopefern Avocado Oil and Walnut Oil

JAT is pleased to advise that the Company has developed and will shortly launch Avocado Oil and Walnut Oil, two new products under the Company's Hopefern brand. In developing these products, JAT is meeting increasing demand for nutritional and healthy food ingredients, in which high-quality cooking oils are a key input.

Hopefern Avocado Oil is made in Australia and is cold-pressed to an Extra Virgin quality level. Hopefern Walnut Oil is also made in Australia and is cold-pressed.

Both products are ready for the local and overseas markets and will be sold in local supermarkets as well as overseas retail stores.

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

For more information, please contact:

Wilton Yao
Managing Director
investors@jatcorp.com
www.jatenergy.com

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.