



INVESTOR UPDATE – DECEMBER 2017

JATenergy Limited

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# JATENERGY LIMITED (ASX: JAT)

JAT has become a China-Australia cross border specialist in Fast Moving Consumer Goods (FMCG) exports.

ONLINE CHINESE  
SALES PLATFORMS

CIQ / CFDA  
CLEARANCES FOR  
OFFLINE SALES

MAJOR  
AUSTRALIAN  
BRANDS

EXTENSIVE CHINESE  
BUSINESS NETWORK

END TO END  
LOGISTICS  
INFRASTRUCTURE



AUSTRALIAN  
BASED DAIGOU  
NETWORK

# INVESTOR HIGHLIGHTS

## EXPLOSIVE GROWTH

2015 FMCG trading commences  
2016 **\$1m** sales  
2017 **\$10m** sales

## PRODUCTS SOLD

milk powders | wine | cosmetics | skin creams  
nutraceuticals | cereals | oats | biscuits  
organic oils

## BRANDS REPRESENTED



## IN-HOUSE BRANDS

JAT is developing in-house brands for Australian products for sale offline and online, focus is on China, specifically on milk products.

## BACKGROUND – A SECOND STRATEGIC FOCUS

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JATenergy operates in the energy sector, investing in new technologies to engineer cleaner, greener energy production, particularly relating to coal (see ‘Energy Technologies’ below). The opportunities are, however, inherently long term, and face an uncertain political climate and resistance to change in the Australian energy industry. In 2015 therefore, the Board decided to pursue opportunities to achieve an alternate source of cashflows.

**THE STRATEGY**      Utilise JAT’s Chinese business network and cross border expertise, together with the opportunities offered by ChAFTA to generate cashflows based on Chinese consumer appetite for Australian consumer goods.

**STAGE I**              Market penetration: build expertise and generate a critical mass of business flows.

**STAGE II**             Utilise the expertise, business network and scale to transition from growth to profitability.




# STAGE I - GROWTH

Working with **major Australian brands**, JAT facilitates exports for Australian producers and retailers.

- Identifying the best **platform** for each product.
- **Positioning** products relative to competitors in terms of product appeal and price.
- Dealing with **regulatory requirements** including CIQ, CFDA (if needed), trademarks, etc.
- **Promotion** and endorsement - TV, Internet, brochures.
- **Communication platforms** placement – Weibo / Wechat.
- Utilising **local daigou platforms** to promote and sell the product.
- Pricing issues, warehousing and **logistics**.

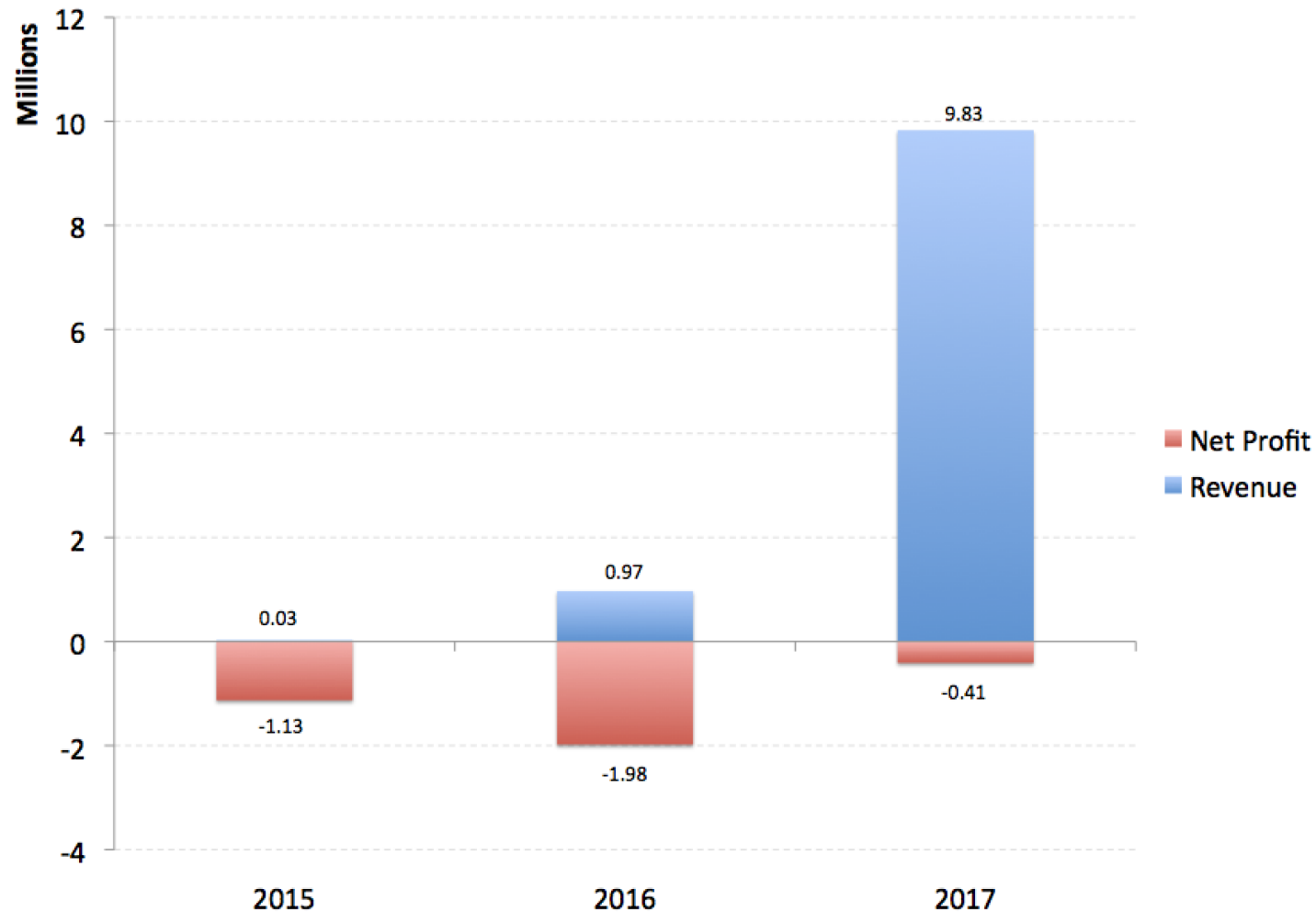






**IN 2017, JAT'S CHINESE SALES OF  
MILK POWDERS ALONE EXCEEDED  
\$4 MILLION**

# FINANCIALS – GROWTH STAGE



## EXPLOSIVE GROWTH

2015 FMCG trading commences

2016 **\$1m** sales

2017 **\$10m** sales



## STAGE II – TRANSITION TO PROFITABILITY

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In addition to stringent cost control, a three pronged approach will drive increased margins and profitability.

1. A focus on smaller producers requiring a specialised end-to-end China export service.
2. JAT owned and controlled brands – avoiding supply bottlenecks.
3. JAT owned Infant Milk Formula brand.

# 1. UNRIVALLED END-TO-END CHINA EXPORT SERVICE

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Smaller producers require a specialised end-to-end China export service and access to JAT's business network - and are prepared to enter into **exclusive arrangements with JAT including higher margins** than offered by the majors.

JAT offers these Australian brands unrivalled access to Chinese consumers:

- **Tmall Direct Imports** offering unprecedented Chinese exposure.
- Opportunity for products to be sold on **Woolworths' Tmall Flagship store**.
- Establishment of their **own Brand presence** through flagship stores on China's major E-commerce platforms.
- Offline trading opportunities through major **Chinese department stores and retail chains**.
- Targeting **developing regions** with strong economic growth.

## 2. “COBBITY COUNTRY” PRODUCTS

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JAT has established a 100% owned subsidiary to sell products under **JAT owned and controlled brands**.

Products will be manufactured in Australia under contract and repackaged under a Cobbitty Country brand.

JAT is currently in the process of registering brand trademarks and gaining the requisite regulatory approvals.

**Milk powder products for adults will be manufactured in Australia under contract and branded as “ione milk” (pronounced ‘i one’).**

The powders will be sold in Australia and China online and in supermarkets, pharmacies and retail stores.



### 3. INFANT MILK FORMULA



JAT has signed an agreement to acquire 51% of Golden Koala Group Pty Ltd, an **existing Australian infant formula brand**, in order to accelerate development of the own-brand infant formula business. The acquisition is subject to ASIC, ASX and shareholder approval at a meeting expected to be held in February 2018.

Over the last three years, there have been 264,000 tins of Golden Koala brand milk powder sold in China generating RMB 31,680,000 (over AUD\$6 million).

# GOLDEN KOALA

## Gold Plus Series

Golden Koala Infant Formula  
Golden Koala Follow On Formula  
Golden Koala Toddler Formula

## Super Series

Golden Koala Super Infant Formula  
Golden Koala Super Follow Up Formula  
Golden Koala Super Toddler Formula

## Milk Powder Series

Golden Koala Full Cream Milk Powder  
Golden Koala Skim Milk Powder

## Fresh Milk Series

Golden Koala Full Cream Fresh Milk







# JAT'S COMPETITIVE ADVANTAGES

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## 1 HANDS-ON EXPERTISE

The current management team has driven cross border FMCG from \$0 at commencement to \$10 million;

- accruing invaluable market knowledge,
- creating effective systems and processes,
- developing corporate and regulatory contacts in Hong Kong and mainland China.

## 2 ACTIVE COMMERCIAL RELATIONSHIPS WITH, AND IN-DEPTH KNOWLEDGE OF THE MAJOR ONLINE PLATFORMS

These include Tmall, JD, VIP and others. Indicative of these relationships, JAT was invited to supply Australian products through the Tmall Direct Import channel (an invitation-only channel wherein Tmall buys products as principal to on-sell.)

## JAT'S COMPETITIVE ADVANTAGES ...CONTINUED

### 3 EXPERIENCE WITH CHINESE SOCIAL MEDIA

JAT successfully uses the dominant Chinese social media platforms such as Weibo and WeChat to establish brand presence, create consumer interest, and ultimately drive sales.

### 4 GOOD WORKING RELATIONSHIPS WITH CHINESE IMPORT AUTHORITIES

...including China Inspection and Quarantine (**CIQ**), the Certification and Accreditation Administration of the People's Republic of China (**CNCA**) and the China Food and Drug Administration (**CFDA**). JAT's management of the registration and approvals process substantially reduces the risks associated with introducing new food products to Chinese consumers.

## JAT'S COMPETITIVE ADVANTAGES ...CONTINUED

### 5 JAT'S RELATIONSHIPS WITH AUSTRALIAN DAIGOU GROUPS

These have proven to be a critical both as a major sales channel and for raising brand presence in the minds of Chinese consumers, particularly with regard to milk powders and infant formula.

### 6 JAT IS A CHINESE DISTRIBUTOR FOR MAJOR AUSTRALIAN SUPERMARKET CHAINS

WOOLWORTHS  
COLES  
COSTCO

JAT able to direct products through these sales channels, leveraging their credibility and exposure.

## JAT'S COMPETITIVE ADVANTAGES ...CONTINUED

### 7 A DEEP, HANDS-ON KNOWLEDGE OF CHINA'S MILK PRODUCTS MARKET

Over \$4 million of milk product sales have given JAT a deep knowledge of this idiosyncratic market niche including a close understanding of consumer trends, price sensitivities, potential opportunities and risks, as well as supply chain logistics including warehousing and distribution.

### 8 A CLOSE UNDERSTANDING OF AUSTRALIAN MILK PRODUCTION AND PROCESSING

JAT's milk focus has also provided a good understanding of Australian milk producers, processors, packaging, and export requirements. This knowledge will be invaluable for quality and cost control for JAT's own brand products.



# THE JAT DIFFERENCE

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New entrants to Chinese cross border FMCG trade face a steep learning curve. JAT has two years of learning behind it and a successful track record selling clients' products, expertise which can now be utilised to sell JAT products unrestrained by what has become a significant sales bottleneck – product supply.

In particular, the management team's positive working relationship with the China Food and Drug Administration (**CFDA**) puts JAT in a good position to secure CFDA approval for infant milk formula, opening the door to substantial Chinese exports in supermarkets and chain stores (in addition to online sales).





# A MASSIVE MARKET OPPORTUNITY

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Chinese consumers identify Australian products as clean and safe, placing value on Australia strict food regulations, TGA requirements and accurate product labeling.

- China's middle class estimated at 109 to 145 million people.
- Tens of millions of whom are already buying from overseas.
- "buying on behalf of", daigou are 'personal shoppers' buying Australian products on behalf of social contacts residing in China. 10,000 - 40,000 daigou in Australia (often starting as Chinese students studying in Australia). Estimates of the Australian daigou trade are \$350 million per annum plus.
- In addition to daigou shoppers, 'Haitao' shoppers place orders with foreign shopping websites.
- The Chinese Australian Free Trade Agreement (ChAFTA) means that over time, 95% percent of Australian exports to China will be tariff free.

# PROVEN BUSINESS DEVELOPMENT METHOD

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Second and third tier cities have become the business engine for China, with strong economic growth currently and in the foreseeable future.

Consumers in these areas are increasingly looking for high quality foreign products to reflect their aspirations.

JAT targets these developing areas, establishing a strong customer base through local partnerships. These include the E-Sky centre, and large supermarket networks in northern China.

JAT Director, Mr Xipeng Li, is in the process of establishing a large Australian product centre in Henan Province with more than 100 million people as potential customers.

# JAT'S CHINESE BUSINESS NETWORK

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**Mr Xipeng Li**, Director and substantial shareholder. Mr Li has extensive investments in E-commerce data centres, roads, power stations, hospitals, water supplies, property development, financial services and renewable energy throughout mainland China, and is a Director, and the third largest shareholder, of one of China's major commercial banks.

**Major online platforms.** JAT operates official flagship stores for major Australian and international brands on TMall, JD, VIP and other online platforms. JATenergy is one of a select few businesses supplying Australian products through the Tmall Direct Import channel.

**Bricks and Mortar' Retail Stores.** JAT supplies Australian products to more than 400 department stores, supermarkets and pharmacies in over 30 provinces in China.





# ENERGY TECHNOLOGIES

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JAT continues to seek renewable, biofuel or coal regenerative technology projects in Australia that offer sound economic prospects, including;

- Bio digesters for methane production and capture.
- Plastic conversion technologies to fuel.
- Biomass conversion to diesel fuel.
- Use of hydrogen as a replacement for diesel.
- Power generating in industrial and residential water storage .
- PV farms in country Victoria.

# DIRECTORS

## **Anthony Crimmins** EXECUTIVE CHAIRMAN

Anthony Crimmins has been involved in numerous start-up companies that have listed on the Australian Securities Exchange, particularly “breakthrough” businesses. He has a level fluency in Mandarin and a keen understanding of Asian business practices. He has previously worked as a general manager and project manager in commercialisation of technology-based products and services. Mr Crimmins is also a director of Abundant Produce Limited (ASX: ABT).



## **Xipeng Li** NON-EXECUTIVE DIRECTOR

Li Xipeng is an experienced executive and has served as a Director and Chief Executive Officer of Pinglin Expressway Limited. He has served as Chairman of Pinglin Expressway Limited since May 2003. Prior to that, Mr Li served as Chairman of HSV, China since May 2001 and as Chairman of Henan Shengrun Real Estate Co Ltd, China, since May 2000. Mr Li graduated from Zhongnan University of Economics and Law and he earned his EMBA at Cheung Kong Graduate School of Business.



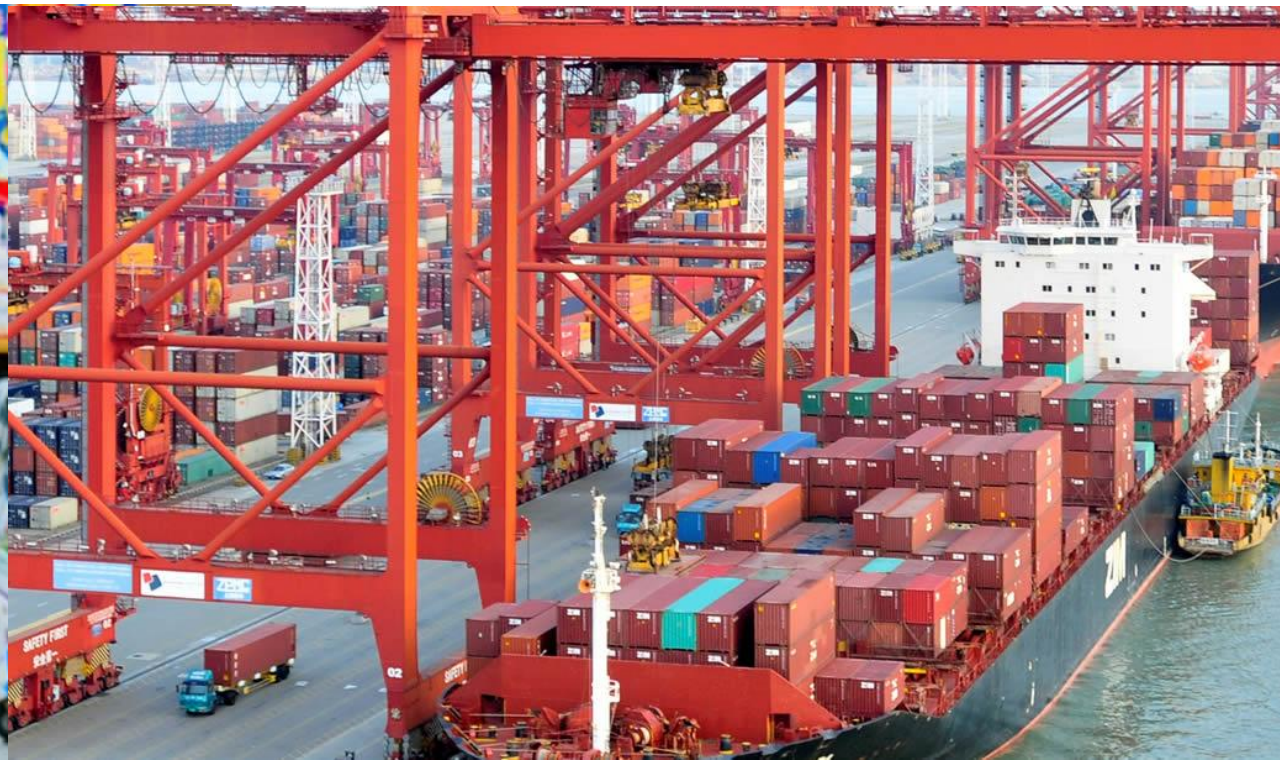
## **Wilton Yao** EXECUTIVE DIRECTOR

Wilton Yao’s expertise includes business broking, and franchise development for both local and international markets. Mr Yao has strong connections with overseas investors, especially from mainland China and he has worked closely with Australian Government organisations and local companies to promote successful investment projects for Chinese investors. He provides consulting services to a number of ASX listed companies, focusing on project exploring and seeking investment funds from overseas investors.





# CONTACT



Tony Crimmins  
Executive Chairman  
e: [t.crimmins@JATenergy.com](mailto:t.crimmins@JATenergy.com)  
m: +61 414 997 968

Wilton Yao  
Executive Director  
e: [wiltonyao@hotmail.com](mailto:wiltonyao@hotmail.com)  
m: +61 411 552 008





SPECIALISING IN CHINA-AUSTRALIA CROSS BORDER TRADE