

Chairman's address to annual general meeting

Wednesday, 20 November 2019, 10.00am AEDT

Good morning ladies and gentlemen, and welcome to AuMake International Limited's 2019 Annual General Meeting. I'd now like to introduce my fellow directors.

Firstly, I would like to introduce Joshua Zhou our Managing Director and Non-Executive Director Quentin Flannery, both whom have been directors since our ASX listing in October 2017.

On Monday we announced the retirement of two founding directors in Lyn Zheng and Gang Xu. On behalf of the Board and AuMake team, we sincerely thank Lyn and Gang for their significant contributions to the Board and the development of AuMake. We look forward to their continued involvement with the business into the future.

And I'd now like to officially welcome to the Board our newly appointed directors, Executive Director Jacky Yang and Non-Executive Director Oliver Horn, who are present with us today.

Jacky is a highly experienced Asian focussed tourism professional with over 20 years' in the Asian tourist retail industry. He co-founded and built the Broadway business to a turnover of over \$30 million per annum, which AuMake acquired earlier this year. I'll talk more about Broadway later in this address.

Oliver was most recently Managing Director of Swisse Wellness for Australia and New Zealand and North America. He has extensive experience in servicing Chinese consumers in Australia, in premium branding building and a deep knowledge of the vitamins, minerals and supplements category, which will be an asset to the Company.

We look forward to the contributions of both Jacky and Oliver as we continue to pursue growth in the Asian tourist market.

Following Broadway's integration we have also strengthened our senior management team.

Peter Zhao will transition from CFO to Group General Manager on 1 January, to drive strategy execution and organisational improvement. Peter will also continue in his role of Company Secretary.

This transition is complemented by the appointments of Group Marketing Manager Jenny Brown, who joins us from Hunter Douglas and Helen Li as Group Human Resources Manager, who was most recently delivering HR project services to the NSW state government. Their combined experience in their respective fields will be an asset to our evolving business. We are also in the process of appointing our Group Operations Manager.

From humble beginnings to a substantial business

Today's meeting marks just over two years since AuMake listed on the ASX and during this time the Company and the market we operate in has changed significantly. However, I am proud to say that we have made some important strategic decisions that position AuMake extremely well for the future, with an incredible opportunity for growth and I will expand on this further shortly.

This is also an opportunity to take a holistic view of AuMake's journey and how we arrived to this point in our evolution.

When AuMake listed on the ASX, we started as a relatively small participant in the daigou industry and quickly grew our store network during 2018 with the opening of Sydney CBD stores and the acquisition of KiwiBuy. During 2017 and for the majority of 2018, the market for well-known branded products, such as infant formula and health supplements was very strong, with daigou playing a significant role in the delivery of these products to the Chinese market.

Towards the end of 2018, we saw some early changes in the daigou channel with suppliers increasing availability of well-known branded products and a degree of uncertainty from the incoming introduction of Chinese ecommerce legislation on 1 January 2019.

From March 2019 stability returned to the daigou market, however with that came a reset to lower margins driven by a permanent increase in the availability of well known branded products. In addition, well-known brands made strong progress towards establishing alternative routes to the Chinese market, including via China based ecommerce platforms.

Today the Company's primary customer is increasingly shifting to the Asian tourist, however daigou remain an important part of the Company's strategy to promote Australian and New Zealand brands to the Chinese market. AuMake will continue to service daigou however this will increasingly be transitioning offline traffic to the Company's online platforms, to maximise efficiencies and profitability.



Growing Asian tourist visitation

From early 2018 and due to the locations of our stores in Sydney's CBD, we began to observe the increasing visitation of Asian tourists and their propensity to purchase less well-known and higher margin products relative to daigou.

Off the back of this observation and the changing daigou landscape, combined with the increasing competitiveness of Australian and New Zealand brands for the Chinese consumer, we identified an opportunity for potential growth through Asian tourism. As a result, AuMake strategically began to engage with a number of parties who were influential in the Asian tourism industry and during July 2018, we met the Broadway team.

Broadway a pathway to Asian tourists

From those initial discussions in July 2018, we agreed to terms in April 2019 and settled the acquisition of Broadway in July this year.

Broadway has established strong, long lasting relationships with travel agents in Asia, which have been built over the last 20 years. Their management team's ability to engage with Asian travel agents to draw tourists to Australia and New Zealand is unrivalled; and Broadway is known within their industry for their integrity and loyalty, which is critical within the Asian tourism industry.

The strength of these relationships, in combination with the resources available to AuMake as a public company, provides us with a unique and scalable opportunity for growth in the Asian tourism space.

Early indications of scalable growth

As can be seen from our recent announcements, the Board and management is extremely pleased with the early, but significant, positive financial and operational impact that the Broadway acquisition has had on our Company.

Bearing in mind we only commenced integration of Broadway four months ago, we are confident that this is only the beginning of a much larger growth story.

We are continuing to see financial improvement in our business and look forward to reporting to the market after the December quarter.

The foundations to cater for future growth

Our priority growth driver is centred on increasing the number of Asian tourists visiting our business, which we believe has very few limitations due to the strength of Broadway's relationships with Asian travel agents.

Other important growth drivers include diversifying our product mix and owned brand product portfolio, to further increase return on equity. As well as improving our existing retail store operations to increase sales conversion, which will have a positive flow on effect to profit and margin.

AuMake's future growth and potential scale is now clearly defined and combined with the strengthened Board and senior management team I outlined earlier, we have the foundations for scalable profitable growth into FY20 and beyond.

There's never been a more exciting time to be a shareholder of AuMake. We thank you for your continued trust in the Board and leadership of the Company and look forward to your continued partnership over the coming 12 months.

Keong Chan
Executive Chairman