

Daigou retailer sells well on ASX debut

Jessica Sier

The husband-and-wife team behind the nation's first listed daigou business enjoyed a \$9.6 million paper windfall yesterday as shares in AuMake Australia nearly tripled on its ASX debut.

AuMake, headed by Joshua Zhou and Lynn Zheng, raised \$6 million from institutional and private investors to fund its growth strategy.

AuMake Australia has built a business as a "one-stop product shop" for the estimated 40,000 daigou shoppers who funnel Australian products back to family and friends in China.

Its shares closed just shy of their intraday high at 23.5¢, compared with the offer price of 8¢ per share.

Mr Zhou and Mrs Zheng hold 17 per cent of the company and at market close yesterday their holding was worth about \$9.6 million.

The company's shareholders now include daigou themselves. About 18 per cent of its IPO was taken up by individual daigou shoppers, generally Chinese nationals who purchase cosmetics and healthcare products in Australia and take them to China.

Rather than solely focusing on increasing AuMake's store presence from six Sydney sites to nine, AuMake chairman Keong Chan said the company would look towards acquiring smaller brands.

"Rather than just stock other brands, we are now looking at acquiring some of them," he said from the floor of the ASX in Sydney.

"Hundreds of smaller suppliers and brands have approached us to stock their products, and if we find Chinese are excited by new ones and they take off, it makes sense if we could become the owners and distributors of some of them."

AuMake plans to fund any acquisitions using cash or by issuing shares. It currently turns over about \$13 million each year.

The Flannery Family Office have invested heavily in AuMake and Quentin Flannery is a director. CVC is



AuMake's Parramatta store. The company aims to expand its range. PHOTO: AAP

Hundreds of smaller suppliers have approached us to stock their products.

Joshua Zhou, AuMake Australia

the largest institutional investor.

The six stores scattered about Sydney already stock hotly demanded Bellamy's and a2 Milk products and will continue to do so, even if it begins acquiring smaller brands of its own.

About 1.2 million Chinese visited Australia in 2016, spending an estimated \$9.2 billion.

"We put out our prospectus and it was really well received by the Chinese community," said Mr Chan. "And it seems they were happy to invest. We want them as shareholders, they understand this business and what the demands of Chinese customers are."

Daigou means "to purchase on behalf of" in Chinese. The company

uses messaging application WeChat to take direct orders from Chinese customers and explain and upsell new products.

AuMake replaces Augend Ltd, which used to be called Titan Energy Services, a provider of drilling and other services to the West Australian energy sector.

In December 2015 Titan Energy went into voluntary administration, and it later changed its name. Augend subsequently acquired Perth-based ITM Corporation, a wholesaler and retailer supplying Chinese customers living in Australia and China.

ITM acquired AuMake in February 2017.

A change in Chinese regulations at the beginning of the year saw Bellamy shares savagely sold off, but they have managed to claw back 35 per cent year-to-date.

Bellamy's main competitor, a2 Milk, has had a 225 per cent surge this year thanks to the Chinese market hungry for Australian products.