

ACQUISITION OF 'HEALTH ESSENCE' BRAND

1 November 2017

Transaction Highlights

- Acquisition of "Health Essence" brand and all associated trademarks
 - AuMake has acquired an initial 50% interest in the Health Essence trademark with an option to acquire the remaining 50%
- Marks the entry into ownership of branded products in the high margin health supplement product category
- All products registered with the Australian Register of Therapeutic Goods covering 16 SKUs
- FY17 AuMake achieved \$191,347 of sales for Health Essence branded products at 39% gross margin
- Strategies are in place to increase sales and gross margins of Health Essence branded products by:
 - Lowering production costs resulting from direct manufacturer relationship and brand ownership
 - Renewed focus and implementation of incentive plans to reward store sales staff that promote AuMake owned brands including Health Essence branded products
 - Increasing number of AuMake retail stores which will increase the number of daigou and Chinese tourists that engage with the Health Essence brand
 - Coordinated marketing and promotion across AuMake's WeChat group network (currently 9000 registered users)

Transaction Details

(Sydney, Australia) - AuMake International Limited ("AuMake" or the "Company") is pleased to announce the acquisition of Australian brand 'Health Essence' including all associated trademarks (www.healthessence.com.au). The acquisition of the Health Essence brand is consistent with the Company's corporate objective to focus on brand ownership.

The Health Essence brand has been sold in retail stores since 2012 and covers a wide range of health supplement products (16 SKUs) including but not limited to products which are popular with the Chinese consumer such as:

- Fish Oil
- Liver Detox
- Grapeseed Oil
- Squalene
- Propolis

Further information about the range of Health Essence products is provided in further detail below.

The entire product range of Health Essence health supplements have been registered with the Australian Register of Therapeutic Goods (ARTG) and will now only be sold via AuMake retail stores on an exclusive basis.

The acquisition of the Health Essence brand provides investors with exposure to the health supplement product category with a focus on products which are already popular with Chinese consumers. Additionally and under the Health Essence brand, AuMake is able to work with the manufacturer to formulate new health supplement products tailored specifically for the Chinese consumer market.

AuMake will promote the Health Essence brand as a premium Australian brand and as an alternative to more well-known brands.

With minimal marketing expenditure specific to the promotion of Health Essence branded products, for financial year 2017 AuMake achieved sales of \$191,347 of Health Essence branded products at an average gross margin of 39%. As a result of the acquisition of the Health Essence brand and direct manufacturing relationship, gross margins for Health Essence branded products are anticipated to increase to between 40-50%, depending on the particular product type.

Strategies are in place to increase sales and gross margins of Health Essence branded products:

- **Lowered production costs** – a direct relationship with the manufacturer allow better cost control and brand ownership removes intermediaries/distributors from the supply chain.
- **Renewed focus on own brands/products** – AuMake has reformulated incentive plans for store sales staff to encourage the promotion and sale of owned brands including Health Essence branded products.
- **Increased number of AuMake retail stores** – An increase in the Company’s retail store network consequently increases the exposure of the Health Essence brand to daigou and Chinese tourist customers.
- **WeChat group marketing** – AuMake will coordinate and market Health Essence branded products across its WeChat group network which currently consists of approximately 9,000 registered users. In addition, AuMake will promote Health Essence branded products via popular online platforms and news agencies that are popular with the Australian daigou and Chinese tourist industry communities.

Transaction Terms

Effective immediately, ITM Corporation Limited (ACN 605 374 570) (**ITM**) a 100% held subsidiary of the Company, will own 50% of the ‘Health Essence’ trademark.

From 1 November 2019, ITM has an option to acquire the remaining 50% of the Health Essence trademark from Aussia Australia Pty Ltd (ACN 095 891 795) via the issue of AuMake fully paid ordinary shares.

Should ITM choose to exercise this option, the methodology used to value the 50% interest in the Health Essence trademark is calculated as 30% of the average annual sales of Health Essence branded products. For example:

- At a point in the future, average annual sales of Health Essence branded products are \$1,000,000;
- Value of 50% of the Health Essence trademark is \$300,000 ($\$1,000,000 \times 30\%$);
- Acquisition of 50% of the Health Essence trademark is satisfied via the issue of \$300,000 AuMake fully paid ordinary shares (issue price based on 30 day vwap).

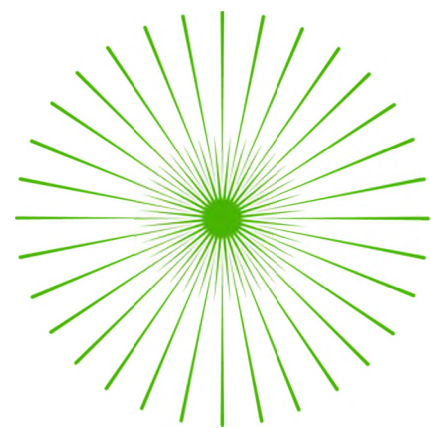
This transaction provides flexibility for the Company to own the Health Essence brand, should the brand meet internal sales and gross margin targets.

The Company continues to review a number of opportunities to acquire brands across the four main product categories of dairy products, healthcare, skincare and wool.

-ENDS-

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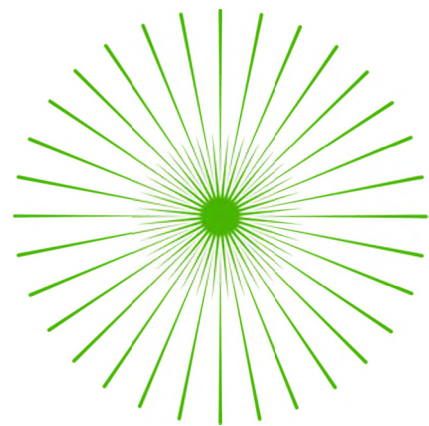


About AuMake

AuMake International Limited is an Australian-owned retail company connecting Australian suppliers directly with daigou and Chinese tourists.

AuMake engages with the growing and influential daigou and Chinese tourist markets, by offering a one-stop-shop retail network. This includes a range of Australian products across four main categories including healthcare (supplements and food); skin, body care and cosmetics; dairy products and baby food (including infant formula); and wool and leather products.

Customers of AuMake value the full service offering which includes knowledgeable bilingual staff, multiple payment options (including WeChat, Alipay and Unionpay) and an in-store logistics service for the delivery of products to anywhere in the world including China.



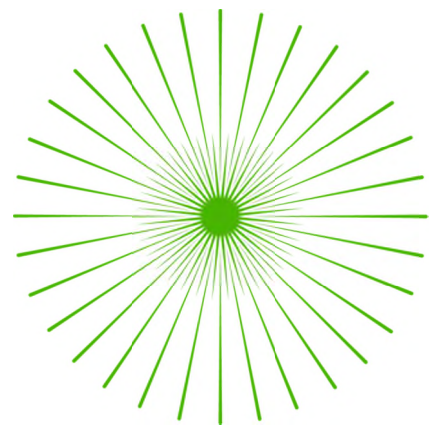
CURRENT HEALTH ESSENCE BRANDED PRODUCT RANGE



- Premium Australian made Health supplements for maintaining general wellbeing.
- Super Lecithin, CoQ10, Squalene, Eye Excel, Detox+ Digestion, Lung Care and Odourless Natural Fish Oil.
- Suitable for both genders.
- 7 SKUs



- Premium Australian made Health supplements for boosting immunity system.
- Black Propolis, Red Grape Seed, Propolis Drops.
- Suitable for both genders.
- 3 SKUs



CURRENT HEALTH ESSENCE BRANDED PRODUCT RANGE (CONTINUED)

Joint, Bone and Muscle



Men's Health



Women's Health



- Premium Australian made Health supplements for protecting joint, bone and Muscle.
- Joint Care with Glucosamine and Liquid Calcium Plus D3.
- Suit for both genders.
- 2 SKUs

- Premium Australian made Health supplements for improving men's health.
- Kangaroo Power Formula (improving men's performance) and Prostate Care (improving male reproduction health and function).
- 2 SKUs

- Premium Australian made Health supplements for improving women's health.
- Evening primrose oil (relieving PMS symptoms) and High Potency Cranberry (improving urinary tract health).
- 2 SKUs

