

# CAPITAL RAISING & CORPORATE UPDATE

13 December 2017

## Highlights

- **Capital Raising**
  - \$20 million capital raising via fully underwritten pro rata non-renounceable 2 for 15 entitlement offer at a price of 63c per ordinary share
  - Shortfall applications can be made via the entitlement and acceptance form located at [www.aumakeinvestors.com.au](http://www.aumakeinvestors.com.au) from the Open Date (scheduled 20<sup>th</sup> December 2017)
  - Investor conference to be held at Sydney's Town Hall 6:00pm 20<sup>th</sup> December 2017 (registrations at <https://au8rightsissue.eventbrite.com.au>)
  - Transformative transaction that will allow the Company to accelerate growth plans **(please refer to infographic at end of this announcement for graphical illustration of the AuMake business)**
  
- **Growth Strategies on Completion of Capital Raising**
  - Implementation of accelerated and organic expansion growth strategy to increase the number of AuMake retail stores to a minimum of twenty (20) across Australia over next 12-18 months
  - Increase of daigou support teams in China to five (5) over next 12-18 months
  - Immediate increase in available inventory levels of AuMake branded products in line with retail store growth
  - Immediate increase of investment into marketing and supply chain resources to further increase AuMake brand penetration and operational efficiencies to drive gross margin growth
  
- **Financial Performance**
  - Strong and sustained improvement in financial performance (figures subject to audit)
    - November 2017 - Sales of \$1,771,255 and gross profit of \$232,078
    - MoM comparison:
      - Sales - 12.4% increase (\$1,576,076 October 2017)
      - Gross Profit - 13.6% increase (\$204,270 October 2017)
    - Fifth (5th) consecutive month of sales and gross profit growth representing 94.4% and 90.1% increases respectively since July 2017 (July 2017: sales \$911,262 and gross profit \$122,068)
    - Health Essence products:
      - Sales of \$50,271 with gross profit margin of 57.8% for November 2017
      - November month represents 26.3% of entire FY17 Health Essence sales (\$191,347)
      - Growing popularity of Health Essence products within the daigou community
    - Pleasing early performance of George Street store with sales in line with management expectations and gross margins in excess of 20% being achieved consistently

- **Strategic outlook**

- The capital raising is a transformative transaction for the Company and fully funds key growth strategies which will significantly increase sales and gross profitability into the future
- Active discussions in relation to opportunities in cosmetics and milk formula product categories

(Sydney, Australia) – AuMake International Limited (**AuMake** or the **Company**) is pleased to announce a capital raising up to approximately \$20,097,271 (before costs) through a pro rata non-renounceable entitlements offer of two (2) fully paid ordinary shares in the capital of the Company (Share) for every fifteen (15) Shares held by eligible shareholders on 19 December 2017 (ex-date 18 December 2017) at an issue price of \$0.63 per share (“Entitlement Offer”).

The Entitlement Offer is fully underwritten by Prenzler Group Pty Ltd (AFSL 456663).

The Company has considered a number of capital raising options including significant overseas and domestic institutional interest but has elected to prioritise existing shareholders. The Company also notes and welcomes the increasing level of Australian based Chinese investors who have joined the Company’s share register in recent weeks, many of whom are customers of the AuMake business.

The Board intends to confer with the Underwriter in relation to the allocation of the shortfall with a view to ensuring that appropriate consideration is given to current shareholders, in further recognition of their existing support for AuMake however the shortfall allocation is also being made available to the general public.

Shortfall applications can be made via [www.aumakeinvestors.com.au](http://www.aumakeinvestors.com.au) from the Open Date (scheduled 20<sup>th</sup> December 2017). **It is intended that preference will be given to shortfall applications in order of receipt.** Upon an appropriate level of shortfall being reached and allocated for existing shareholders and the general public, the Underwriter will allocate the balance of remaining shortfall to nominated clients.

The Company will be holding an investor conference on the 20<sup>th</sup> December 2017 at Sydney’s Town Hall (483 George Street) for a scheduled start of 6:00pm. Please register attendance at <https://au8rightsissue.eventbrite.com.au> (maximum of 350 attendees).

A summary of the Entitlement Offer, indicative use of proceeds and indicative timetable can be found in Annexure A below.

All queries relating to the Entitlement Offer should be directed to [investors@aumake.com.au](mailto:investors@aumake.com.au).

## **Retail Store Network Growth**

AuMake currently operates six (6) retail stores located across Sydney in Eastwood (2), Parramatta, Hurstville, Haymarket (Pitt Street) and Sydney CBD (George St).

On completion of the Entitlement Offer, the Company will implement an accelerated expansion strategy to grow its existing retail store network across Australia to reach a minimum of twenty (20) 100% owned retail stores over the next 12-18 months.

The Company has identified the following locations:

- Sydney (4) - Haymarket (Market City), Burwood, Auburn and Kingsford (in addition to 6 existing stores for a total of 10 stores in Sydney)
- Brisbane (2)
- Gold Coast (1)
- Melbourne (5+)
- Perth (1)
- Adelaide (1)

The Company is focussed on the organic growth of its retail store network through the establishment of larger flagship stores, which provide greater scale and higher sale/profit earning potential, with increased traffic both in-store and online via AuMake Wechat group memberships.

These larger flagship stores will be complemented by smaller AuMake retail stores which can be quickly added via licensing and acquisition opportunities both of which the Company continues to actively assess.

The addition of these flagship stores will have a substantial impact on sales growth and gross profitability across the AuMake business.

## **Daigou Support Teams in China**

As stated in the Company's 20 November 2017 announcement, the Company has identified the growth of China based daigou as an area of significant growth potential. The Company's decision to support loyal AuMake daigou based in China, extends the reach and daigou distribution capabilities of AuMake beyond Australia.

AuMake daigou support teams in China will support daigou who relocate back to China with sales and after sales support. Enquiries relating to products and delivery can be handled in-country which increases sales potential and operational efficiencies. AuMake daigou based in China are able to order products from AuMake via WeChat and products are then sent from Australia to customers wherever they are located in China.

Local reaction to the Company's recently established daigou support team in Xiamen has been highly encouraging and management will invest accordingly to enable this team to support between 3,000 to 5,000 daigou who migrate from Australia back to the Xiamen area.

The Company intends to invest in a further four (4) daigou support teams over the next 12-18 months located in Beijing, Shanghai, Guangzhou and ShenZhen. The Company has focussed on first tier cities to maximise coverage that includes second tier cities in close proximity to broaden the reach of the support teams.

There are over six hundred (600) cities in China<sup>1</sup> which provides vast potential for the growth of AuMake's daigou distribution channels.

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<sup>1</sup> <http://multimedia.scmp.com/2016/cities/>

### **AuMake Owned Brand Inventory and Marketing/Supply Chain Resourcing**

In line with the growth of AuMake's retail store network, the Company intends to increase inventory levels of AuMake owned brands, which will continue to assist sales and gross margin contribution.

The Company intends to also increase investment into marketing and supply chain resources to further improve daigou/Chinese tour guide brand penetration awareness and to drive further gross margin growth.

### **Financial Update**

The Company is experiencing strong and sustained improvement in its financial performance.

For the month of November 2017:

- Sales of \$1,771,255 and gross profit of \$232,078 were achieved which are record highs for both financial categories for the AuMake business
- The fifth (5<sup>th</sup>) consecutive month of sales and gross profit growth representing increases of 94.4% and 90.1% respectively since July 2017 (July 2017: sales \$911,262 and gross profit \$122,068)
- MoM comparison:
  - Sales - 12.4% increase (\$1,576,076 October 2017)
  - Gross profit - 13.6% increase (\$204,270 October 2017)

The sustained growth in the Company's financial performance can be attributed to improved supplier relationships, increased purchasing power, reformulation of store manager incentives and higher levels of daigou/tour guide visitations due to growing awareness of the AuMake brand within the Chinese community both in Australia and China.

Of particular note, the Company achieved sales of \$50,271 at a gross margin of 57.8% for the month of November 2017 in Health Essence branded products. The month of November represent sales equivalent to 26.3% of total sales of Health Essence branded products for the entire FY17 year (\$191,347).

The financial performance of Health Essence for the month of November supports a key AuMake value driver, that is, the capability to positively influence daigou and Chinese tourist buying behaviour.

Sales of Health Essence branded products and other AuMake owned products are expected to increase exponentially with the addition of further flagship stores particularly those that focus on Chinese tourists such as the Company's recently opened George Street store.

The Company is pleased with the early performance of George Street with sales meeting management expectations and gross margins in excess of 20% being achieved consistently.

Please note figures provided are subject to audit.

### **Strategic Outlook**

On completion of the Entitlement Offer, the Company anticipates that it will be fully funded to execute its key growth strategies which it hopes will transform AuMake into a substantial force in the daigou and Chinese tourist markets.

With the number of Chinese tourists visiting Australia set to increase substantially<sup>2</sup> and the increasing number of daigou and Chinese tour guides who are engaging with the AuMake business on a regular basis, AuMake is well positioned as a proxy for the ongoing demand from China for genuine Australian products and the lifestyle these products represent.

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<sup>2</sup> <http://www.theaustralian.com.au/business/australia-china-business-council-chinese-tourist-numbers-to-triple/news-story/8402f404a966ee8d1e6f9ba712658645>



The diversification of the AuMake business across both daigou and Chinese tourist markets also provides added insulation against future regulatory changes.

The addition of a minimum of 14 large flagship retail stores across Australia (adding to the Company's existing 6 stores for a total minimum of 20 retail stores in Australia) is transformative for the AuMake business which it anticipates will have a substantial impact on both sales and profitability over the next 12-18 months.

Utilising the growth of the Company's retail store network, AuMake is also expecting compounding growth in the adoption of its own branded products, which currently include Health Essence health supplements and UGG AUS wool products. The Company is in active discussions in relation to opportunities within the cosmetics and milk formula product categories. The Company will update the market as soon as it is appropriate.

The Company wishes to thank existing and future shareholders for their continued support and looks forward to the next chapter in the evolution of AuMake.

**-ENDS-**

**INVESTORS:** Keong Chan, Executive Chairman, [keong.chan@aumake.com.au](mailto:keong.chan@aumake.com.au) or for queries in relation to the Entitlement Offer [investors@aumake.com.au](mailto:investors@aumake.com.au).

**MEDIA:** Lynn Semjaniv, Sauce Communications, [lynn@saucecommunications.com.au](mailto:lynn@saucecommunications.com.au) or 0481 004 797.

### **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.

## Annexure A

### Indicative use of proceeds of Entitlement Offer

The Company proposes to use the proceeds of the Entitlement Offer as follows:

Use	Approximate amount to be allocated assuming full subscription under the Entitlement Offer (A\$)	%
Retail Store Expansion	10,000,000	49.76%
China Support Team	2,000,000	9.95%
Increasing AuMake owned product inventory	3,000,000	14.93%
Expansion of marketing and supply chain resources	500,000	2.49%
Expenses of the Offer	958,000	4.77%
Working capital	3,639,271	18.11%
<b>Total</b>	<b>20,097,271</b>	<b>100.00</b>

The above expenditure budget is indicative only and may change according to circumstances prevailing at the time.

### Summary of the Entitlement Offer

1. The Entitlement Offer comprises two (2) new Shares for every fifteen (15) existing Shares held by existing eligible shareholders on the record date (dated below) at \$0.63 cents per Share (**Entitlement Offer**).
2. Eligible shareholders will comprise those shareholders with a registered address in Australia or New Zealand.
3. The Entitlement Offer is fully underwritten up to the amount of \$20,097,271 subject to certain terms and conditions by Prenzler Group Pty Ltd (AFSL 456663) (**Underwriter**).
4. Any fractional entitlements arising from the Entitlement Offer will be rounded up.
5. Shares issued under the Entitlement Offer will rank equally with existing Shares on issue on the record date. The Company will make application for official quotation of the new Shares proposed to be issued under the Entitlement Offer. Share entitlements are non-renounceable and will not be tradeable on the ASX or otherwise transferable.
6. Up to approximately 31,900,431 Shares will be issued pursuant to the Entitlement Offer.
7. A top-up/shortfall facility will be available allowing eligible shareholders to apply for additional Shares over and above their entitlements (additional Shares will be allotted to the extent there is a shortfall under the Entitlement Offer), this top up facility will also be publicly available. Allocations under the shortfall it intends will be made on a priority in time basis.

### Timetable

Further details of the Entitlement Offer, including details on how to accept and key risks of the Entitlement Offer together with a summary of the key terms of the underwriting agreement including the termination events, will be set out in a prospectus which is expected to be released to the ASX on 13 December 2017 and dispatched to shareholders on 20 December 2017. Outlined below is a timetable of relevant events and dates relating to the Entitlement Offer. These events and dates are indicative only and subject to change. Subject to the ASX Listing Rules, the Corporations Act and other applicable laws, the Company's Board reserves the right to modify all dates, including the Entitlement Offer closing date.

Announcement of the Offer	13 December 2017
Lodgement of Prospectus with the ASIC	13 December 2017
Lodgement of Prospectus & Appendix 3B with ASX	13 December 2017
Notice sent to Optionholders	15 December 2017
Notice sent to Shareholders	15 December 2017
Ex date	18 December 2017
Record Date for determining Entitlements	19 December 2017
Prospectus sent out to Shareholders & Company announces this has been completed	20 December 2017
Open Date	20 December 2017
Closing Date*	19 January 2018
Shares quoted on a deferred settlement basis	22 January 2018
ASX notified of under subscriptions	24 January 2018
Issue date/Shares entered into Shareholders' security holdings	26 January 2018

\*The Directors may extend the Closing Date by giving at least six (6) Business Days' notice to the ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

Application for new Shares under the Entitlement Offer may only be made by completing the Application Form which accompanies the prospectus which can be accessed at [www.aumakeinvestors.com.au](http://www.aumakeinvestors.com.au) from the Open Date (scheduled 20<sup>th</sup> December 2017). Shareholders eligible to participate in the Entitlement Offer should read the prospectus carefully and consult professional advisers as necessary.



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

## Key growth drivers



**Acquisition of brands**  
and brand ownership



**Retail expansion**  
of store footprint significantly over next 12 months to broaden AuMake's reach to daigou and Chinese tourists



**Online store**  
capability enhanced



**Increased marketing**  
to Chinese tourists

## Geographic spread of operations

**Six retail stores & growing**  
With a further five (5) in Sydney, NSW in next 12-18 months



**Auburn Head Office & warehouse (Sydney, NSW)**  
Coming soon: the addition of a viewing area for Jumbuck production and AuMake showroom to host Chinese tourist delegations



**New stores identified**  
Melbourne (5), Brisbane (2), Gold Coast (1), Perth (1), Adelaide (1)



**Online sales platform**  
[www.aumake.com](http://www.aumake.com)



**Multiple online payment methods for customers:**  
WeChat Pay, Alipay, Unionpay and traditional paying methods



**Five China based support teams**  
to grow China based daigou

## Customers



**500,000 daigou**  
within Australia



**1.2m Chinese tourists p.a.**  
and growing

## Owned brands



wool products



health supplements



trademark

## Four product categories



**Healthcare**  
supplements and food



**Skin and body care & cosmetics**



**Dairy products & baby food**  
including infant formula



**Wool & leather**

## Alliances

**Australian Made campaign**  
administer the Australian Made logo



**Sydney Chinese Tourist Guide Association**  
500 members

