

BUSINESS UPDATE

10 January 2018

Highlights

- **Scheduled Store Openings & WeChat Member Growth**
 - Expansion of retail network with addition of three (3) retail stores in February 2018
 - WeChat member growth –Addition of 4,000 members (9,000 in early October 2017; 44% growth) which provides further online sales growth potential
- **“Daigou Hub”**
 - A Daigou Hub is a framework and dedicated area within each relevant store with facilities for Australian suppliers to directly engage with daigou in an interactive way to introduce, test and promote new Australian products.
 - Reflected in the design of recently opened George St store and future stores including Market City, Auburn and Burwood.
 - Daigou Hubs will for the first time allow Australian suppliers to directly engage with daigou on a mass scale and tailor their products to Chinese customer tastes.
 - Expectation of a significant increase in the adoption rate of new Australian products by daigou and an increased range of brands for AuMake to exclusively distribute and acquire
- **Financial Performance (December 2017)**
 - Finalisation of December 2017 financials in progress
 - Initial review indicates growth across all financial indicators with significant gross profit margin growth to at least 15.8% resulting in a MoM increase of **20%** or greater from November 2017 (13.1%)
 - Further efficiencies across the Company’s supply chain and the opening of George Street (Chinese tourist focussed) have contributed to gross margin improvement
 - Initial review also indicates further growth in sales and gross profit in relation to AuMake branded products
 - The Company expects the continuation of growth in its financial metrics in line with the realisation of further supply chain efficiencies and the growth of its retail store network
- **Milk Formula Update**
 - Senior management have visited manufacturing facilities in Australia and New Zealand with excess milk formula production capacity including those with available CNCA slots

(Sydney, Australia) – AuMake International Limited (**AuMake** or the **Company**) is pleased to provide the following business update.

Scheduled Store Openings and WeChat Member Growth

The Company is pleased to advise the opening of three (3) stores in Sydney during February 2018 (subject to final approvals):

- Market City Chinatown (421 sqm) - 18 February 2018 (daigou focussed)
- Auburn (586sqm) – 10 February 2018 (Chinese tourist focussed)
- Burwood (197sqm) – End of February 2018 (subject to building approval) (daigou focussed)

The addition of these three (3) stores increases the Company's retail store network to a total of nine (9) in Sydney.

Store design drawings have been provided at Annexure A to provide investors with a graphical illustration of each store. Investors will note the carried forward design thematic which is consistent with the Company's George Street retail store including the "Daigou Hub" concept which is explained in further detail below.

As mentioned in previous announcements, the Company migrates in-store customers to its WeChat platform providing significant ongoing revenue growth potential via online sales.

WeChat is a one stop mobile application which allows AuMake customers to browse/pay for products online, communicate with our sales staff and is a platform for AuMake to promote new Australian products.

In three (3) months (since the Company's ASX listing in early October 2017), AuMake has observed the addition of approximately 4,000 additional members (from 9,000 to a total of 13,000; 44% growth). This rate of member growth is expected to increase exponentially as the Company opens further retail stores across Australia and expands its reach and brand awareness with daigou and Chinese tourists.

"Daigou Hub"

After extensive consultation with AuMake customers and daigou (including Chinese tour guides) the Company is pleased to officially launch its proprietary "Daigou Hub" concept, which has been reflected in the design of recently opened George St store and future stores including Market City, Auburn and Burwood.

The "Daigou Hub" provides a framework and dedicated area within each relevant store with facilities for Australian suppliers to directly engage with daigou in an interactive way to introduce, test and promote new Australian products.

Daigou Hubs will for the first time allow Australian suppliers to directly engage with daigou on a mass scale. Australian suppliers, in conjunction with AuMake, will receive direct feedback from daigou in relation to important factors such as branding, quality and packaging for the Chinese market.

Daigou will also be able to directly engage with a large number of Australian suppliers via Daigou Hubs, to allow them to better promote Australian products to their customers.

The Company expects a significant increase in the rate of adoption of new Australian products by daigou as a result of its Daigou Hubs, as decisions to promote certain Australian products will be less reliant on largely uninformed supplier driven Chinese translated material which are often unsuitable for Chinese tastes.

If sufficient interest is reached for a particular product/brand, AuMake will enter into an exclusive agreement with that particular Australian supplier to distribute the products across its retail store network. Some of these agreements will include an option to acquire the brand where appropriate.

Daigou Hubs are expected to significantly increase the range of brands for AuMake to exclusively distribute and acquire.

It is also expected that Daigou Hubs will encourage the centralisation of daigous' daily movements around AuMake retail stores providing AuMake with an opportunity to develop new daigou relationships particularly with recently arrived international students.

Financial Performance (December 2017)

The Company is currently finalising December 2017 financials however an initial review indicates growth across all financial indicators with significant gross profit margin growth to at least 15.8% resulting in a MoM increase of **20%** or greater from November 2017 (13.1%).

This MoM increase signals significant improvement in underlying profitability and further efficiencies across the Company's supply chain and the opening of George Street (Chinese tourist focussed) have contributed to gross margin improvement.

Initial review also indicates an increase in sales and gross profit of AuMake own branded products during the December month.

The Company expects the continuation of growth in its financial metrics in line with the realisation of further supply chain efficiencies and the growth of its retail store network. A focus on Chinese tourists and the implementation of Daigou Hubs is expected to increase the adoption rate of new and high profit margin Australian products both owned and exclusively distributed by AuMake.

Further financial information will be provided in the Company's quarterly and half year results.

Milk Formula Update

Senior AuMake management have visited a number of milk formula manufacturing facilities in Australia and New Zealand with excess production capacity including available CNCA slots. Discussions are ongoing and an update to the market will be provided when appropriate.

-ENDS-

INVESTORS: Keong Chan, Executive Chairman, keong.chan@aumake.com.au

MEDIA: Lynn Semjaniv, Sauce Communications, 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

Burwood (Burwood Plaza)



Auburn (42 Percy Street Auburn)



Market City (Haymarket)



George Street (Town Hall)

