



Supply Agreement with Pure Nutrition Limited to develop owned brand A1 & A2 milk powder formula products

Transaction highlights

- Execution of Supply Agreement with Pure Nutrition Limited to develop exclusive range of AuMake owned brand A1 and A2 milk powder formula products specifically tailored to Chinese market
- Addition of milk powder formula range leverages off AuMake's expanding distribution channels in Australia and China, and ability to build momentum for new products
- Agreement also provides for future extension of the range to organic and goat milk powder formula products
- AuMake to target development of products that do not require SAMR approval in first phase
- Initial Annual Target Volume of 1.6 million units:
 - > 1 million A1 beta-casein products
 - > 0.6 million A2 beta-casein products
- AuMake will have exclusive rights to OEM/contract packed A2 related products by Pure Nutrition Limited for the Australian market
- A1 product range scheduled for launch in October/November 2018 with A2 range in April/May 2019

(Sydney, Australia) – AuMake International Limited (**AuMake** or the **Company**) is pleased to announce the execution of a Supply Agreement (**the Agreement**) with New Zealand-based Pure Nutrition Limited (**Pure Nutrition**) to develop an exclusive AuMake owned range of milk powder formula products consisting of A1 and A2 beta-casein proteins. The Agreement also provides for future extension of the range to organic and goat milk powder formula products.



Following a period of due diligence, AuMake chose to partner with Pure Nutrition to develop its innovative milk powder formula products to specially cater for the needs of specific markets and demographics in China. Utilising locally sourced New Zealand milk, Pure Nutrition will provide its specialist expertise in developing, producing and delivering final packaged product to AuMake for sale exclusively through its distribution channels.

The Company believes the timing is now appropriate to add a milk powder formula range to its owned brand portfolio given its expanding distribution network in Australia (including through Chemsave pharmacies), its developing sales channels in China, and AuMake’s demonstrated ability to create new brand momentum within the influential Australian daigou and Chinese tourist markets.

AuMake notes that China’s State Administration for Market Regulation (SAMR) approval is only required for infant formula products sold or distributed within China. As such, the Company will initially focus on the development and sale of milk powder formula products for the Chinese market that do not require SAMR approval (including English labelled infant formula sold within Australia).

AuMake’s A1 products are scheduled for launch in October/November 2018 with the A2 product range in April/May 2019.

Summary of Material Supply Agreement (“Agreement”) Terms	
Pricing	– Confidential
Initial Annual Target Volumes	– A1 beta-casein protein-based products – 1,000,000 units – A2 beta-casein protein-based products – 600,000 units
Exclusivity	– In relation to A2 beta-casein protein products: <ul style="list-style-type: none"> > AuMake will hold exclusive rights to OEM/contract packed A2 related products by Pure Nutrition Limited for the Australian market, subject to Minimum Order Quantities. > Certain brands currently manufactured for sale or distribution within China are excluded from this exclusivity condition (including infant formula). As stated above, this is not an initial target market for AuMake.
Termination	– Ordinary Force Majeure terms – Termination of Agreement by either party can be made with immediate effect if a party: <ul style="list-style-type: none"> > commits a material breach of any term of the Agreement that is irremediable or (if such breach is remediable) fails to remedy that breach within a period of 25 days after being notified in writing to do so; > repeatedly breaches any of the terms of the Agreement in such a manner as to reasonably justify the opinion that its conduct is inconsistent with it having the intention or ability to give effect to the terms of the Agreement; > fails to pay any undisputed amount due under the Agreement on the due date for payment and remains in default for more than 10 days; > meets an insolvency event; > suspends or ceases, or threatens to suspend or cease, to carry on all or a substantial part of its business; > purports to assign or otherwise transfer its rights or obligations under this Agreement.
Intellectual Property	– Clauses relating to the ownerships of intellectual property broadly state that manufacturing related intellectual property shall be owned by Pure Nutrition and product intellectual property (including brand(s)/trademark(s)) shall be owned by AuMake.



A spokesperson from Pure Nutritional Limited states:

“Pure Nutrition Limited recognises the critical role that Australian based daigou and Chinese tourists play in the popularity of Australian and New Zealand products, particularly milk powder formula back in China.

After a period of extensive due diligence, we approached AuMake as the leader in the daigou and Chinese tourist market in Australia and it became clear that there was an opportunity for us to do something different and unique to cater for the Chinese market.

We have significant capabilities in the supply of milk powder formula products including the production of A1 and A2 beta-casein protein formulas, which in the future will also include organic and goat-based milk products.

We are proud to formally announce our partnership with AuMake and look forward to a mutually successful relationship.”

Keong Chan, Executive Chairman states:

“AuMake has long been aware of the potential of the milk powder formula market and conducted extensive analysis of this market prior to committing to Pure Nutrition Limited as our supplier of choice.

The thorough examination of the entire supply chain, existing brands and our customers’ needs, revealed significant opportunities which we believe are currently unmet in this market.

The flexibility offered by our Supply Agreement with Pure Nutrition Limited provides us with the ability to tailor products to the specific needs of various segments and demographics within the Chinese market. We have identified the ageing population of China to be of significant interest with 241 million people over the age of 60, which is forecast to grow to 487 million by 2050¹.

Our distribution and marketing capabilities via our expanding Australian network, in conjunction with our growing sales channels into China, provide us with significant growth opportunities in this market that are not initially predicated on SAMR approval, including English labelled infant formula sold within Australia.

We will immediately begin the development of brands and products under this Supply Agreement with the A1 range scheduled to launch in October/November 2018 and A2 in April/May 2019.

We look forward to a long and rewarding partnership with Pure Nutrition Limited to help meet the dairy needs of the Chinese market.”

About Pure Nutrition Limited (PNL)

Pure Nutrition Limited is a joint venture between Westland Milk Products, New Zealand’s second largest dairy co-operative owned by 400 farming families located mainly on New Zealand’s West Coast, and Hong Kong Stock Exchange listed Ausnutria Dairy Corporation Ltd, a top eight dairy infant nutrition company in China.

PNL owns a state-of-the-art nutritional powder blending and canning facility in Christchurch New Zealand, providing high quality New Zealand production and total supply chain integrity.

1. <https://gbtimes.com/chinas-elderly-population-to-peak-at-half-a-billion-in-2050>

About AuMake

AuMake International Limited is an ASX listed 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)
- 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.

aumake.com.au

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