

# AuMake International Limited – Annual General Meeting 2018 Chairman’s Address

Good morning ladies and gentlemen and thank you for attending the AuMake International Limited Annual General Meeting.

The 2018 Financial Year has been transformative for AuMake. Since our ASX listing in October last year we have delivered on significant milestones which provide a solid foundation for our future growth, including:

- expanding our distribution network
- completing a number of strategic brand acquisitions and forming alliances with key partners, as well as
- making solid operational progress and significant momentum in our financial performance.

I would like to briefly step through each of these to provide a little more context.

Firstly, the expansion of our distribution network. During the year, we opened four new AuMake retail stores across Sydney (NSW) with each store specifically targeted to one of our key customer segments.

This includes the launch of the Company’s flagship George Street store opposite Sydney’s Town Hall 12 months ago, which is positioned in a high foot traffic location and tailored to the Chinese Free Independent Tourist market. In March we opened the unique world-first Daigou Hub in Haymarket, with a second in Burwood in June. These stores enable Australian suppliers to directly interact with daigou to educate them about their product, with the opportunity for these interactions to be livestreamed back to audiences in China. Each of these store initiatives has spearheaded growth in recognition of the AuMake brand and quality of our offering.

We also opened our first store in Xiamen China in early June to service the expanding network of daigou returning home and wanting to continue their relationship with the AuMake brand.

In May our Australian store footprint expanded beyond the AuMake brand with the acquisition of Kiwi Buy; bringing our total store presence in Sydney to 13. The Kiwi Buy store network and brand, which is well known within the Chinese tourist and daigou markets, brings with it a valuable online presence, leveraging a 38,000 Chinese tourist and daigou member database.



To further capitalise on the opportunities to be leveraged from our online presence and community, during the financial year we enhanced the Company's online offering via WeChat and our e-commerce stores – aumake.com and kiwibuy.com – with around 1,000 online members being added each week since May 2018 to bring our current member database to over 100,000 members.

An AuMake storefront on the JD.com platform in China was also launched for the primary promotion of AuMake owned brand products. This significant achievement followed many months of rigorous due process, validating AuMake's position in the market as a supplier and distributor of Australian products into China.

During the year we entered into a number of strategic alliances with the Australian Made Campaign, Sydney Chinese Tourist Guide Association, Itrip.com and Chemsave pharmacies to further strengthen our distribution reach and brand strength. This financial year we added to these partnerships with DHL becoming a key logistics partner.

Acquiring or developing owned brands to maximise margin and profitability continues to be a focus for AuMake and during the last financial year we acquired the Health Essence, Jumbuck and UGG AUS brands and trademarks. We also developed a proprietary range of UAF certified honey under the Medigum brand; and developed a range of skincare products under the AU8 label. This focus on owned brand portfolio development has continued this financial year with the recent announcements regarding the Herbsmart brand of dairy products and the development of our own range of milk formula products.

Solid operational progress has been made across the business, including the integration of the Kiwi Buy business to maximise synergies from the acquisition. We also moved our corporate headquarters to the Sydney suburb of Auburn. The head office building also incorporates an expanded warehouse facility and a showroom for hosting VIP daigou and Chinese tour groups.

Our corporate employees, who provide the key point of difference for AuMake in comparison to our competitors, have also increased in number from six to 40, to enhance our capacity and capability across marketing, procurement and finance. Our store staff numbers also increased from 10 to 60 with the addition of new stores and Kiwi Buy.

Delivering on our strategic initiatives has resulted in AuMake gaining financial momentum, with the Company making significant progress during FY18.

Sales grew 107% from FY17 to FY18 (\$21.4 million) and gross profit 172% (\$1.1m to \$3.1m), with AuMake owned brands reaching \$920k for FY18.

This momentum has continued into FY19 and as flagged in our September quarterly report, the Board anticipates total operational breakeven during the 2019 financial year, with costs now stabilised and the business performance continuing to exceed expectations.

Whilst the existing operational and financial focus is on achieving breakeven, the Board is currently developing strategies to consolidate AuMake's position as the preminent brand in our industry across Australia, which will ultimately deliver strong sustained profitability.

To that end, and as announced in the Company's investor presentation in October, AuMake has continued to grow its network of existing relationships with Chinese travel agencies and tour guides. As a result, increased numbers of Chinese tour groups, are visiting AuMake stores. The Board and management will continue to monitor this positive trend and are currently developing a strategy focused on Chinese tour groups, which is particularly relevant in relation to our interstate expansion plans.

We will keep investors updated as this strategy unfolds.



And finally I'd just like to round off by reinforcing our recent comments regarding China's State Council changes to the proposed 1 January 2019 regulations and the cross border e-commerce channel – CBEC. As we've stated publicly, AuMake welcomes the latest development to further stimulate cross border e-commerce with the continuation of current licensing requirements, extension of tariff/VAT/consumer tax concessions and value per transaction/head limit also being increased.

These measures are anticipated to increase the total size of the CBEC and it is expected that legitimate cross border e-commerce participants, including AuMake and professional daigou, will increase their market share as illegitimate operators are phased out with increased regulation.

We note that daigou activity remains strong and AuMake anticipates increasing daigou activity particularly with the expanded value of per transaction/head spending quotas from 1 January 2019.

Finally, can I just say that as Chairman I'm in a very privileged position and very proud to stand here and share with you the long list of achievements by the team over the last 12 months. And, on behalf of the Board, I wish to take this opportunity to thank our shareholders, employees, suppliers and strategic partners for their trust in, and commitment to, AuMake.

We look forward to building on the strong foundations we've achieved in our first year and delivering on the anticipated opportunities for growth, development and consolidation in FY19 and beyond.

**Thank you.**

# 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](http://aumake.com.au)

## INVESTORS

Keong Chan, Executive Chairman  
[keong.chan@aumake.com.au](mailto:keong.chan@aumake.com.au)

## MEDIA

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



Twitter: [@AuMakeAus](https://twitter.com/AuMakeAus)  
Instagram: [@aumake](https://www.instagram.com/aumake)  
LinkedIn: [www.linkedin.com/company/aumake](https://www.linkedin.com/company/aumake)



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