

AuMake launches new Australian retail model for the Chinese market

Highlights

AuMake retail model



Model combines five pillars:

1. Flagship Stores
2. Daigou Hubs
3. Warehouse Showrooms
4. Retail Store Network
5. Online (WeChat/
Livestreaming)



Follows recent developments in the retail market in China



To be replicated in other capital cities across Australia

Haymarket Daigou Hub



Haymarket (Sydney) Daigou Hub opens Thursday 8 March 2018



Setting a new standard for daigou retail marketing in Australia



430sqm purpose built facility



Result of extensive consultation with supplier and daigou industry



Significant industry response with 50+ suppliers, 200+ daigou to be at launch

Auburn Warehouse Showroom



Auburn Warehouse Showroom opened Friday 2 March 2018



State-of-the-art showroom servicing Chinese tour groups and VIP daigou



Onsite Aus UGG/Jumbuck manufacturing facility for tour groups to observe production and warehouse tour programs

Online growth



40% of AuMake's existing sales are derived online (WeChat)



Continuing investment in WeChat capability to support further growth



Growing trend toward livestreaming as a marketing tool (AuMake livestreamed to 500,000+ viewers on 24 February 2018)

Financial commentary



Half Year report:

- Investment expenditure in line with budget
- \$4.7 million of the \$5.8 million loss attributed to non-cash one off expenses



Current \$14.4 million cash on hand and \$2.85 million inventory



Increasing gross margin and increasing sales of AuMake own branded products continuing



Additional and recurrent revenue streams from supplier payments for instore product placement and provision of services such as livestreaming





AuMake strategy and direction

AuMake International Limited (**AuMake** or the **Company**) is very pleased to announce the launch of a new Australian retail model for the Chinese market.

The Company's new retail model is the result of an extensive industry consultation process and consists of a five pillar strategy to service key customer segments that directly influence the popularity of Australian products in the Chinese market.

The opening of the Haymarket Daigou Hub on 8 March 2018 is an important milestone in the evolution of AuMake, as it marks the first time that all five pillars will be in operation. The Company will continue to expand in Sydney and replicate the new retail model in capital cities across Australia.

AuMake's new retail model provides an avenue for Australian suppliers to meet the marketing expectations of daigou and Chinese tourists that have progressed significantly from simply putting new brands/products on shelves.

Pillar 1 Flagship Stores

Service Free Independent Tourists (FIT), Chinese tourists who are typically of a younger generation with high incomes and significant appetite to experience and purchase new products which attract higher profit margins. Flagship stores will be located in high traffic CBD areas.

Pillar 2 Daigou Hubs

Daigou Hubs combine leading edge technology with face-to-face interaction for Australian suppliers to engage directly with daigou.

Pillar 3 Warehouse Showrooms

Service Chinese tour groups and VIP daigou who typically purchase products in bulk and benefit from interactive programs such as observing the production of products and warehouse tours.

Pillar 4 Retail Store Network

Service daigou and Chinese tourists in their local Chinese communities to provide convenience and on-the-ground support to other AuMake pillars.

Pillar 5 Online Growth

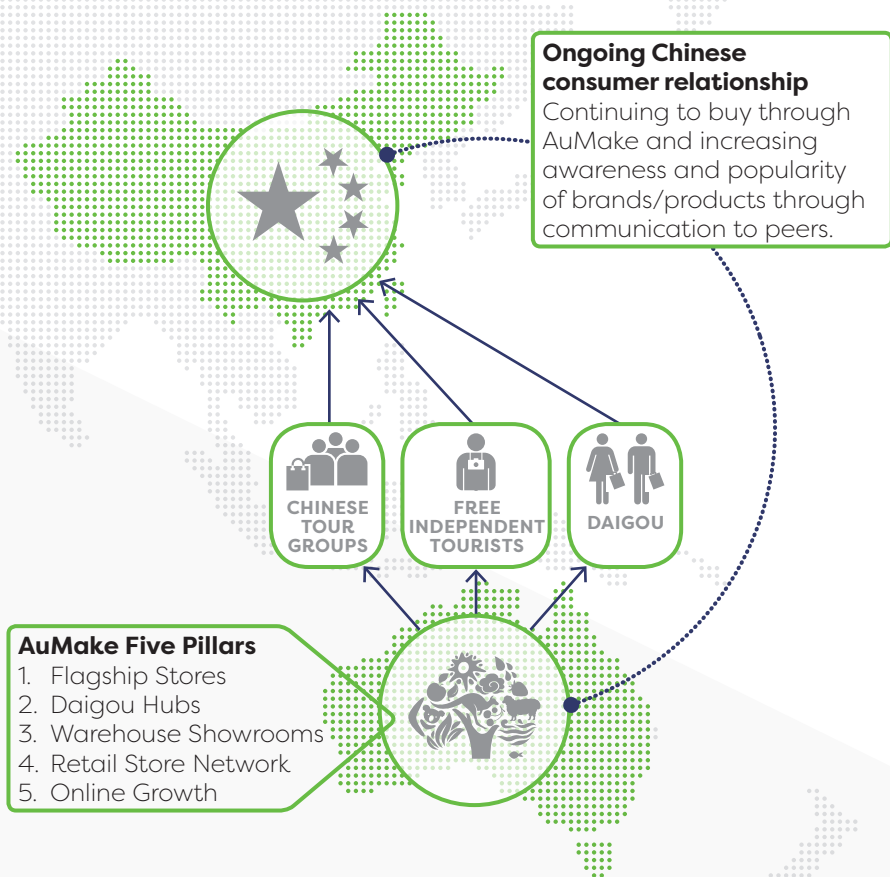
Leveraging instore foot traffic, provides AuMake with significant growth potential via compounding WeChat sales growth and repeat purchasing from Chinese tourists/daigou once they return home.

“The true value in the Australian market lies in ownership over the distribution network to sell to China rather than a single brand.”

Executive Chairman, Keong Chan

China's most well-known and valuable companies own the distribution networks that connect the supplier with the Chinese customer (e.g. Alibaba, JD.com and Tencent). Recent changes in the expectations of the Chinese consumer have seen these companies combine their online capabilities with offline channels to provide an omni-channel approach.

AuMake has recognised the changes in the Chinese retail market and through its new model has tailored this approach to the Australian retail market. By doing so, AuMake is confident of creating significant shareholder value that provides a number of growth opportunities when compared to simply taking a one supplier/brand approach.





Australia's first "Daigou Hub"

After extensive consultation with industry, AuMake is setting a new benchmark for daigou retail marketing in Australia.

Haymarket Daigou Hub
Level 1/209 Thomas Street Haymarket



Omni channel marketing model

Combining engaging offline experiences for customers coupled with advanced online functionality¹ between Australian suppliers and daigou community.



Livestreaming areas

Designed for daigou to live stream their interaction with Australian suppliers to millions of their customers back in China.



Multiple product display areas



Pack and post

Designated area for customers to pack and post products to China.



430 sqm leading-edge "Daigou Hub"

Located in the heart of Sydney's Chinatown. This leading edge initiative has been the culmination of twelve months of industry consultation with suppliers/daigou and closely follows recent developments in the retail market in China, which has seen a move away from a pure online marketing model to a omni channel model.



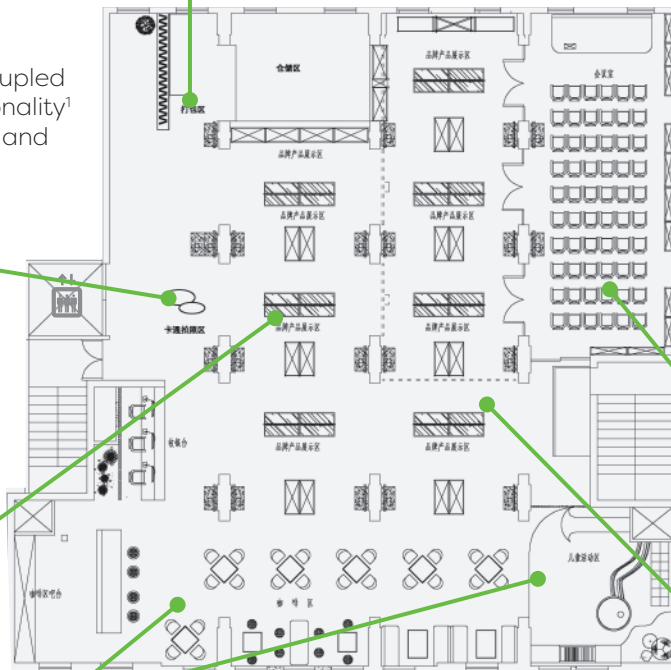
Conference area

For training and seminars by Australian suppliers.



Direct engagement between Australian suppliers and the daigou community

A purpose-built facility addressing the fundamental issue of how to effectively introduce new Australian brands and products to daigou and the Chinese market, which to date has been largely occupied by traditional retailers and E-commerce platforms.



Café and children's play area

Distinctive modern AuMake experience with flora and light filled areas to promote a space that encourages people to visit and stay for social or work purpose.



1. <https://www.l2inc.com/daily-insights/singles-day-shows-chinas-omnichannel-advantage>



Setting a new benchmark in daigou retail marketing

Daigou retail marketing in Australia currently consists of two main channels namely traditional retail stores and E-Commerce platforms.

Traditional retail stores

Traditional retail stores have an important role to play in terms of distribution network but are typically limited in their ability to educate daigou in relation to the benefits of a new product/brand and how they are differentiated from other products/brands in a crowded market. Typically, new products are placed alongside popular products with limited interaction with store staff to explain each product. In addition to language barriers, daigou are often left to research products by themselves via WeChat and/or discussions with other daigou and friends.

E-Commerce platforms

Chinese consumers will often, prior to making a decision to purchase a new brand or product online, reach out to a point of contact in Australia (daigou) to confirm that the relevant product is used in Australia and is priced correctly. This behaviour reinforces the importance of daigou in the affirmation process when it comes to the purchase of new brands by mainland Chinese customers.

The shortcomings of the two current channels largely explains a growing disparity and trend where certain brands are immensely popular in the Chinese market, while the majority of other less well-known brands seem to be largely ignored by daigou and the Chinese market.

AuMake Daigou Hubs

AuMake has identified that the primary issue affecting the promotion of new products and brands is the lack of direct communication and interaction between suppliers who know their products and their ability to educate daigou who can then go on to educate their customers in China.

Daigou Hubs will address the shortcomings of the two current channels and provide the following significant features to effectively meet contemporary daigou retail marketing requirements.



Features	Traditional retail stores	E-commerce platforms	AuMake Daigou Hubs
Distribution network	●	●	●
Physical store experience	●		●
Physically educate daigou in benefits of a new product/brand and how they are differentiated from other products/brands			●
On site livestreaming, cutting edge retail technology			●
Opportunities to enter into exclusivity arrangements and where appropriate the acquisition of brands and products		●	●
Knowledgeable staff/supplier/daigou interaction			●
Bi-lingual staff/platform			●
Cafeteria, children's playroom, spaces for social or business meetings			●

Commercially, the interaction between Australian suppliers and daigou provides AuMake with numerous opportunities to enter into exclusivity arrangements and where appropriate the acquisition of certain brands and products.



Exceptional industry response to Daigou Hub

Response from suppliers and daigou industry has been exceptional with 50+ suppliers, 200+ daigou and national media to be in attendance on 8 March 2018.

Photos and media will be available at <https://aumake.com.au/gallery/> as they become available.



“Having a focused Daigou Hub provides both brands like Aromababy and shoppers alike, a unique experience to engage with the brand and in our case, to gain expert knowledge. With a strong educational aspect to what we do, (our work in China includes educating mothers about the benefits of natural skincare ingredients, massage and more), the Daigou Hub offers an environment where we can share knowledge and help support daigou to access quality information. They in turn feel more empowered in their recommendation of products because they better understand them. Daigou can then shop in a professional and supported environment. I love this concept.”

Catherine Cervasio – Founder & Director
Aromababy

“The path to China is not easy without significant resources and I have been chasing the daigou market for the past 13 months with no success. I saw a media article about AuMake, the history of the business and what it's trying to achieve for Australian suppliers, particularly small ones, so I came to Sydney to meet with Joshua, the Managing Director. The possibilities that AuMake put forward for a business like mine is unquantifiable. And the fact that you're dealing with bilingual Australians is invaluable for a small business – the ability to connect directly with daigou and to get your story out there in a way that resonates with people in the Chinese market, make the opportunities for Linii now endless.”

Joris Roell – Founder & CEO Linii Tasmania

Online growth (WeChat & livestreaming)

40% of AuMake's existing sales are derived online via WeChat and the Company will continue to build its WeChat infrastructure to leverage off growth in its offline store foot traffic.

Livestreaming is becoming a critical part of promotion in China.

A recent Deloitte report forecast the Chinese live-streaming market to be worth US\$4.4 billion in 2018, with viewer numbers topping 456 million.

<http://www.scmp.com/tech/social-gadgets/article/2133152/attention-all-shopaholics-now-you-can-shop-online-and-watch-live>

AuMake livestreaming launch

On 24 February 2018 AuMake launched in its own live video stream at its George Street store via the Taobao platform. **The live stream had over 500,000 viewers during the 1.5-hour segment** on AuMake's story, future and own branded products.

This exceptional turnout demonstrates the immense interest from the Chinese market in the Australian retail market generally and specifically on the AuMake story.

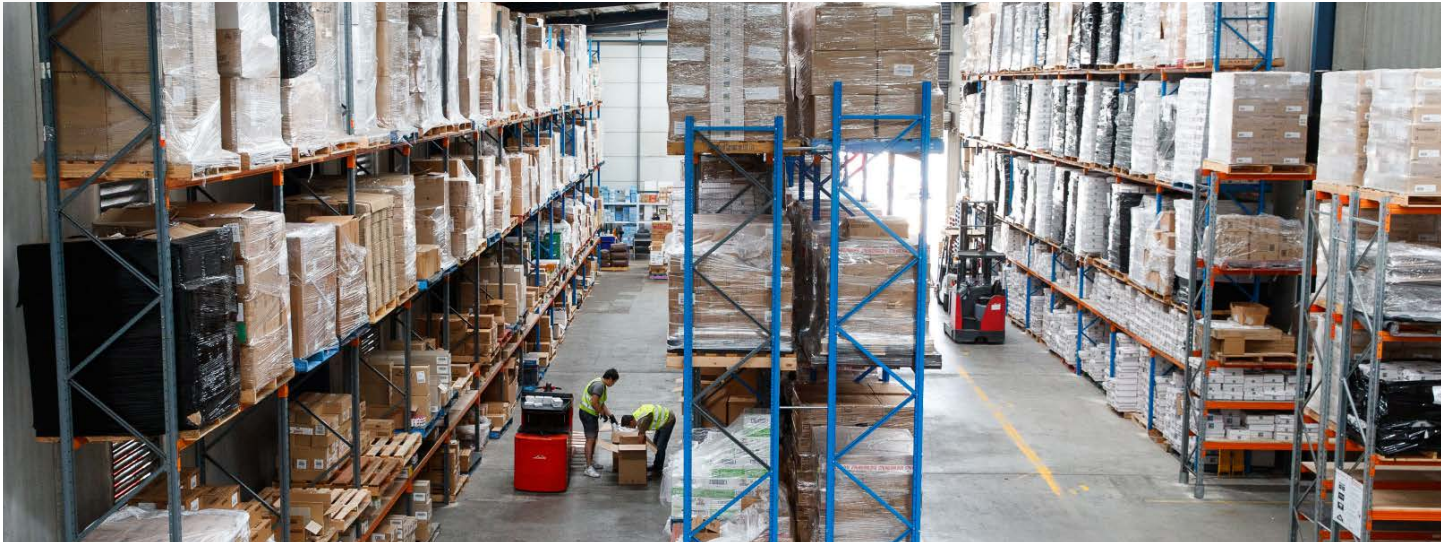
Highlighting the importance of live streaming facilities for promotion of new brands/products, which will be provided all AuMake Daigou Hubs.



AuMake livestream image from 24 February launch at George Street.



Auburn Warehouse Showroom



A key part of the AuMake strategy is to cater to Chinese tour groups due to their purchasing power and propensity to buy new brands and products with higher gross margins.

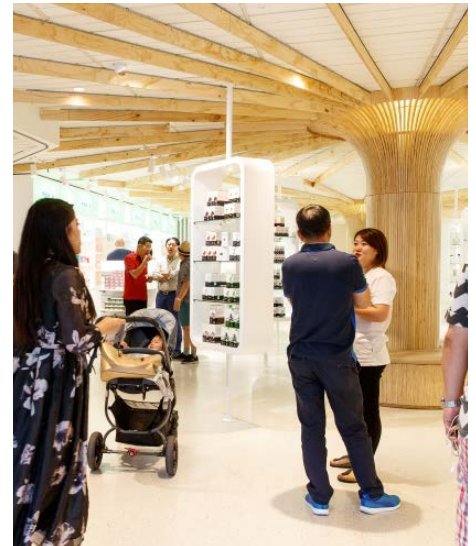
On 2 March 2018 AuMake opened a state of the art showroom facility at its Auburn headquarters with the attendance of a number of Chinese tour guides and influential daigou. The Auburn showroom provides facilities to see new products and brands, participate in a tour of the Company's warehouse and to observe the production of UGG Aus/ Jumbuck wool products. Again, the showroom is set in AuMake's distinctive modern style.

The Auburn showroom is situated alongside the Western Motorway enroute to the Blue Mountains which is a popular destination for the majority of Chinese tour groups.

The Company will leverage its deep and long-lasting relationships within the Chinese tour guide community to drive visitations. Initial response from the Chinese tour guide community has been overwhelmingly positive.

The Auburn showroom will also centralise and provide VIP service to larger daigou who typically purchase in excess of \$15,000 per week.

Photos and media will be available at <https://aumake.com.au/gallery/> as they become available.



Benefits of AuMake tourist model (Flagship and Warehouse Showroom) vs traditional tourist stores

Features	Traditional tourist stores	AuMake retail model
Modern retail experience, enabling state-of-the-art retail technology such as live-streaming		●
Constantly rotating new, genuine and exciting Australian product		●
Supplier interaction		●





Financial commentary

The Company notes that half year financial results were in line with budgeted expenditure with approximately \$4.7 million of the \$5.8 million loss being attributed to non-cash one off expenses. The remaining loss was associated with investment in the future growth of the AuMake business including planned store expansion, new inventory, relocation to new headquarter premises, targeted marketing and appointment of key personnel.

The Company has \$14.4 million cash on hand in addition to \$2.85 million of inventory and is fully funded to complete the existing key growth strategies.

In support of strategies implemented so far, AuMake is pleased to advise that the trend of increasing gross margin and increasing sales of AuMake own branded products is continuing.

The launch of AuMake's new retail model has resulted in additional and recurrent revenue streams from supplier payments for instore product placement and provision of services such as livestreaming. This reinforces the value of AuMake's distribution network which will continue to grow in line with the Company's five pillar retail strategy.

The Company looks forward to further improvement in key financial and operational metrics with the introduction of the Haymarket Daigou Hub, Auburn Warehouse Showroom, further local Sydney and interstate expansion, and the implementation of a number of exciting initiatives to be announced in the coming months.

—Ends—

Auburn
Warehouse
Showroom,
Sydney NSW



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); 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.

aumake.com.au

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