

Acquisition of 'Kiwi Buy' store network

Transaction highlights

- **Acquisition of 'Kiwi Buy' including the Kiwi Buy retail brand store network** consisting of five (5) stores located in Sydney NSW (2 x Sydney CBD, Kingsford, Chatswood and Ultimo) in addition to online store with 38,000-member database
- **Preliminary financial due diligence indicates sales of \$18 million over last 12 months** (unaudited) with all stores profitable post labour and occupancy expenses
- **Significant opportunities identified to increase the financial performance of Kiwi Buy stores** through application of AuMake processes (including sale of AuMake owned brands) and resources
- **Highly attractive acquisition terms:**
 - > \$300,000 in ordinary shares of AuMake International Limited at a deemed issue price of \$0.25 (1,200,000 ordinary shares)
 - > Reimbursement up to \$500,000 of inventory subject to stock-take

(Sydney, Australia) – AuMake International Limited (**AuMake**) is pleased to announce the execution of a binding term sheet with One Shop International Pty Ltd (ACN 168 120 385), One Shop Australia Pty Ltd (ACN 600 404 411) and Milan Station Pty Ltd (ACN 601 345 680) (together known as '**Kiwi Buy**') to acquire the relevant leases, staff, 'Kiwi Buy' trademark, member databases and all associated property associated with the operation of Kiwi Buy.



Overview of Kiwi Buy

Kiwi Buy has been operating since 2014 with five (5) retail stores in Sydney NSW two (2) of which are located in the Chinese tourist centric Sydney CBD (World Square and Haymarket) and three (3) in densely daigou populated areas (Kingsford, Chatswood and Ultimo).

The Kiwi Buy trademark and brand is well known within the Chinese tourist and daigou markets with the look and style of stores being consistent with the AuMake brand (refer to **Annexure A**).

In addition to the offline stores, Kiwi Buy has, since the inception of the Kiwi Buy business, focussed on the development of their online store which has amassed a 38,000 Chinese tourist and daigou member database.

Kiwi Buy currently employs 14 highly experienced store staff.

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Acquisition rationale

Immediate Step Change in AuMake Financial Performance - With all Kiwi Buy stores operating profitably (post labour and occupancy expenses) and AuMake corporate infrastructure being sufficiently resourced to support the new Kiwi Buy stores (i.e. no requirement to increase AuMake fixed overheads), Kiwi Buy related gross profit is anticipated to immediately flow to the overall financial bottom line.

Opportunities to Improve Financial Performance of Kiwi Buy Stores- AuMake has identified significant opportunities to improve the gross margin performance of Kiwi Buy through the implementation of AuMake processes to increase sales of higher margin products (including AuMake owned brands) and the use of AuMake's supply chain to materially decrease inventory costs. Overall sales are also anticipated to improve significantly with increased marketing support from AuMake's experienced and larger marketing team.

Enhancement of Online Capability - The acquisition also greatly enhances AuMake's online capability due to the addition of Kiwi Buy's 38,000-member database (primarily www.kiwibuy.com) in addition to AuMake's existing 15,000-member database (primarily WeChat) for a total of 53,000-members. With the application of AuMake's experience in the development of WeChat group membership and Kiwi Buy's experience in the development of E-commerce platforms, AuMake's online capability is anticipated to improve dramatically. These synergies give rise to greater online revenue generation opportunities via recurring purchases in addition to the use of member data to improve targeted marketing campaigns.

Human capital - the Kiwi Buy acquisition provides AuMake with immediate access to highly experienced and high performing store staff which is critical to success in the daigou and Chinese tourist markets.

Brand Flexibility - the Kiwi Buy store experience and brand will not change post acquisition. This approach provides AuMake with greater flexibility moving forward in terms of branding and future expansion strategies whilst preserving existing staff and customer relationships in the Kiwi Buy business.

Highly Complimentary Locations - With the addition of five (5) Kiwi Buy retail stores and the opening of the Burwood Daigou Hub in early June 2018, AuMake's total store count will increase to fourteen (14) in the Sydney area by early July 2018. The Kiwi Buy store locations are highly complimentary and enhance AuMake's Chinese tourist offering in Sydney CBD and provide locations in densely daigou populated areas not currently occupied by an AuMake store.



Acquisition terms

Kiwibuy Australia Pty Ltd (ACN 626 197 242) (**KWA**), a 100% held subsidiary of AuMake International Limited (ACN 150 110 017), has executed a binding term sheet to acquire the business assets held by One Shop International Pty Ltd (ACN 168 120 385), One Shop Australia Pty Ltd (ACN 600 404 411) and Milan Station Pty Ltd (ACN 601 345 680) (together known as '**Kiwi Buy**').

For clarity the binding term sheet does not include the acquisition of the issued capital of Kiwi Buy or historical liabilities (if any).

Material terms of the binding term sheet are as follows:

Acquisition	<ul style="list-style-type: none"> – KWA agrees to acquire the Business Assets held by Kiwi Buy for the consideration referred to below.
Business Assets	<ul style="list-style-type: none"> – The “Kiwi Buy” trademark (number 1788742) – All equipment and inventory including inventory (subject to Stock-Take) – All other assets in connection with or associated with the operation of Kiwi Buy including online stores, member databases and staff (determined as necessary by KWA) – Lease interest in relation to the following premises (Target Stores): <ul style="list-style-type: none"> > World Square <i>Shop 10.03 World Square 644 George Street, Sydney, NSW 2000</i> > Chatswood <i>65/427-441 Victoria Ave, Chatswood, NSW 2067</i> > Ultimo <i>149 Broadway, Ultimo, NSW 2007</i> > Kingsford <i>315 Anzac Parade, Kingsford, NSW 2032</i> > Haymarket <i>G5/683-689 George St Haymarket, NSW 2000</i>
Consideration	<p>The consideration to be paid is \$300,000 which will be satisfied through the issue of 1,200,000 fully paid ordinary shares in the capital of AuMake International Limited (Consideration Shares) at an issue price of \$0.25 per Consideration Share.</p> <p>KWA will also reimburse the Kiwi Buy for inventory on the Settlement Date (Inventory) up to a maximum of \$500,000 (Reimbursement).</p> <p>The Consideration Shares and Reimbursement will be apportioned amongst the Kiwi Buy Shareholders and will be paid in full on the Settlement Date (defined below).</p> <p>Kiwi Buy will provide KWA with details of the for the apportionment of the Consideration Shares and Reimbursement prior to the Settlement Date.</p>



Conditions Precedent

Settlement of the Acquisition is conditional upon the satisfaction (or waiver by KWA) of the following conditions precedent:

- (a) completion of due diligence by KWA on the Kiwi Buy business and operations, to the satisfaction of KWA;
- (b) the transfer of all Target Store leases and relevant staff to KWA;
- (c) the transfer of the “Kiwi Buy” trademark (number 1788742) to KWA;
- (d) completion of the Stock-Take;
- (e) KWA being satisfied that there are no legal claims against Kiwi Buy that may impact the operation of the Business Assets and no circumstances which may give rise to any claim against Kiwi Buy that may impact on the operation of the Business Assets, other than any such claims or potential claims disclosed prior to the date of this Terms Sheet;
- (f) the Parties obtaining all necessary regulatory approvals to complete the Acquisition; and
- (g) the Parties obtaining all requisite shareholder approvals pursuant to the Corporations Act and their constitutions to give effect to the transactions contemplated by this Terms Sheet.

(together the **Conditions Precedent**).

If the Conditions Precedent are not satisfied (or waived by KWA) on or before 5.00pm (EST) on 30 June 2018 the agreement constituted by this Terms Sheet will be at end and the Parties will be released from their obligations under this Terms Sheet. The Parties will use their best efforts to ensure that the condition precedents are met or mutually agree to extend the end date.

Settlement

Settlement of the Acquisition will occur on that date which is 5 business days of satisfaction (or waiver by KWA) of the conditions precedent (**Settlement Date**).

At settlement:

- (h) KWA shall:
 - (i) allot and issue the Consideration Shares to the Kiwi Buy Shareholders in the amounts to be confirmed by Kiwi Buy prior to the Settlement Date; and
 - (ii) deliver holding statements to the Kiwi Buy Shareholders for the Consideration Shares.
- (i) Kiwi Buy Shareholders must deliver or cause to be delivered to KWA effective possession and control of the Business Assets.

Keong Chan, Executive Chairman states:

“Due to financial and personal circumstances, the owners of Kiwi Buy reached out to AuMake as their first port of call and after initial discussions, made the decision to sell their much-loved family business to AuMake.

The decision made by the owners of Kiwi Buy is illustrative of the increasing competitive pressures facing smaller operators in the daigou and Chinese tourist markets. However, AuMake is ideally positioned to acquire businesses on attractive terms to consolidate the sector and to also significantly improve the financial performance of the businesses we acquire, given the financial and operational resources that we have available.

We take enormous pride from being entrusted with the future of the Kiwi Buy business. The owners of Kiwi Buy have also elected to receive ordinary shares in AuMake’s issued capital to retain an interest in Kiwi Buy’s future and AuMake welcomes their strategic input as a material shareholder moving forward.

Whilst the acquisition of Kiwi Buy is highly synergistic and provides clear direct benefits, AuMake’s growth is not limited to the stores we own. We are also working closely with many of the influential stakeholders across Australia in the daigou and Chinese tourist markets to help them market and sell higher margin products (including AuMake owned brands) by leveraging AuMake operational resources and strategic partnerships.

AuMake continues to assess acquisition opportunities and will advise the market as necessary.”



Annexure A



The Kiwi Buy trademark and brand is well known within the Chinese tourist and daigou markets with the look and style of stores being consistent with the AuMake brand.

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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