



Exclusive sales agreement with leading Chinese Communications and TV Shopping Network

Highlights

- Execution of exclusive Sales Agreement with Anhui Tiantong Renhe Culture Communication Co., Ltd for distribution of AuMake product via its network of media channels in China
- JiaJia Shopping Co., Ltd will initially work with AuMake under the Agreement:
 - > 24-hour TV shopping channel, e-commerce platform and distribution network with viewership of 385 million people across China and forecast sales of 1.5 billion in FY2018
 - > Actual sales 2017 - 1.3 billion RMB (Forecast sales 2018 - 1.5 billion RMB)
 - > JiaJia Shopping Co., Ltd focuses on the aged population in China in line with Aumake's current marketing strategy
- An initial range of AuMake owned brand and exclusive products are being processed for broadcast in mid-September 2018
- Anticipated gross profit margins consistent with current AuMake owned brand products
- Ongoing discussions with several other interested Chinese distributors

(Sydney, Australia) - AuMake International Limited (**AuMake** or the **Company**) is pleased to announce the execution of an exclusive Sales Agreement (**the Agreement**) with Anhui Tiantong Renhe Culture Communication Co., Ltd (**Tiantong**) to distribute both AuMake owned brand and exclusive products via its network of TV shopping channels within China. Under the Agreement AuMake will initially work with JiaJia Shopping Co., Ltd.



Tiantong background

Tiantong was founded in 2001 and established its cross-border product promotion department in 2013 which comprises of an e-commerce platform, film and television media content production, as well as multimedia joint ventures.

Tiantong has long-term relationships with mainland China media channels CCTV, provincial satellite TV, TV shopping platforms and public transportation media systems. In terms of new media, Tiantong has brand operation cooperation with Taobao e-commerce and major portal video service platforms.

JiaJia Shopping Co., Ltd background

JiaJia Shopping Co., Ltd (**JiaJia**) is a 24-hour TV shopping channel, e-commerce platform and distribution network with sales of 1.3 billion RMB in FY17 and forecast sales of 1.5 billion RMB in FY2018. Founded in 2007, JiaJia is a subsidiary of Chinese state-owned enterprise (SOE), Anhui Radio Film & TV Media Industry Group, the first national shopping channel in China issued by the Chinese regulatory body, the State Administration of Radio and Television.

JiaJia targets China's **aged population**, a key customer segment for AuMake, reaching 20 provincial administrative regions, 201 cities and 107 million households. By the end of December 2017, JiaJia had a viewership of approximately 385 million people in China and warehousing arrangements in Anhui, Beijing, Xi'an and Changsha, including JD.com, for a total of 35 distribution companies.

Tiantong and JiaJia Joint Venture

In 2017, Tiantong and JiaJia jointly created the "JiasenJia" shopping and marketing program production and broadcasting organisation. This cooperation integrates their traditional media resources with new media. Tiantong is responsible for the program content and production promotion while JiaJia is responsible for platform construction and operation, focusing on online shopping marketing programs.

The combination of modern E-commerce practices with traditional TV shopping channels provide unique opportunities to promote innovative multimedia marketing solutions and sales promotion channels.

Commercial relationship with Aumake

Through its TV shopping channel and e-commerce platform, JiaJia will distribute AuMake owned brand and exclusive products.. JiaJia owns a licence allowing Australian products to be shipped via the Cross-Border E-Commerce (CBEC) channel which is a special import channel which allows products to be sold directly online to consumers. The channel has temporary exemptions for tariffs and other regulatory requirements which apply to conventional international trade.

As a result, JiaJia requires products sold via its channels to be heavily vetted for quality, authenticity, customer data matching requirements and Chinese government standards, which normally takes four weeks from product selection to on-air broadcast.

An initial range of AuMake owned brand and exclusive products have been selected and are being processed for broadcast in mid-September 2018. AuMake anticipates that gross profit margin sold via JiaJia will be consistent with existing owned brand products.



Commercial rationale

AuMake's Agreement with Tiantong and the JiaJia channel provides a number of immediate advantages, including:

- Access to a distribution channel that specifically focuses on the aged population in China (241 million people over the age of 60, forecast to grow to 487 million by 2050¹);
- A targeted product selection process using JiaJia's extensive database to provide higher rates of traction for the introduction of new products;
- The ability to broaden AuMake's brand presence directly with Chinese households, via a viewership of approximately 385 million people;
- Minimal marketing outlay by AuMake to leverage sales into China for owned brand and exclusive products; and
- Potential extension to other TV channels and platforms via Tiantong's existing media relationships.

Material Sales Agreement terms

- An exclusive Sales Agreement for TV shopping channels in China, specifically their TV and network platforms, internet channels and satellite TV direct sales channels across various provinces and cities in China;
- An initial term of five (5) years;
- Broad terms stating that Tiantong is responsible for sales planning, pricing, sales data collection and protecting AuMake's intellectual property in China;
- Broad terms stating that Aumake will provide certification, brand information, comply with requests for live streaming, personnel training and after sales support;
- Product pricing to be made in consultation with both parties;
- Where AuMake total orders from Tiantong channels are greater than three (3) million RMB a month, Tiantong will provide additional working capital to assist Aumake with inventory costs; and
- Termination can be made:
 - > By mutual agreement; or
 - > If less than 100,000 RMB is sold for one product (SKU) within the first year from commencement; or
 - > By either party with the provision of three (3) months notice.

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



Keong Chan, AuMake International Ltd, Executive Chairman states:

“AuMake’s decision to work with Tiantong and JiaJia was heavily influenced by their ability to specifically target and promote products to China’s ageing population, a growing market segment, and one that AuMake has identified as part of its existing business and marketing strategy.

“We are also extremely pleased with AuMake’s growing reputation with large Chinese distributors as a trusted partner for the promotion of new Australian products in China. This recognition comes from AuMake’s ability to promote new brands within the daigou and Chinese tourist markets in Australia, the scale of our operations, and the credibility and transparency that comes from being an ASX listed company.

The number of opportunities and significant interest in AuMake from China is extremely exciting for the Company. In addition, AuMake is able to leverage these opportunities with minimal investment, as marketing costs in China will be borne by our Chinese partners and for these partners they also benefit from not having to expend large amounts of resources and capital in Australia given our existing presence in the local market.

The Sales Agreement with Tiantong and JiaJia is our initial foray into the Chinese market and we will continue to grow our relationship with them and explore other distribution opportunities, providing AuMake with exponential financial and brand equity growth potential in China.”

AuMake has ongoing discussions with a number of Chinese parties and will update the market as appropriate.

-Ends-

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.

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